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# ***JPRS Report***

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## **West Europe**

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# West Europe

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**NOTICE TO READERS:** For three months beginning in November, material formerly appearing in the JPRS WEST EUROPE REPORT will instead be published on a trial basis in the FBIS WEST EUROPE DAILY REPORT. Readers who currently receive only the JPRS Report may wish to subscribe to the FBIS Daily Report.

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## BELGIUM

### Career, Personality of Vice Prime Minister Moureaux

36190030a Brussels LE VIF/L'EXPRESS in French  
8 Jul 88 pp 40-41

[Article by Jacques Gevers: "The Optimistic Mandarin"]

[Text] Bourgeois childhood and social fiber, loyalty to Marx and realpolitik: Philippe Moureaux, the paradoxical man.

"Being a Marxist, I do not regard the role of individuals as very important in the development of societies." The reference is unexpected at a time when the left is paying almost as much attention to the management of the market economy as to social justice: Philippe Moureaux, 49 years old, is one of the rare key socialists who is still claiming openly the legacy of the "Capital." Those who share the power with him, however, know that there is no need to be concerned about it. The PS [Francophone Socialist Party] vice prime minister of Martens 8 is not spending his nights dreaming of a general uprising, in a wild atmosphere of burning factories. His attachment to Marxism is not addressed to romantic images and their verbal environment, but to the theoretical contribution of Marx the historian, economist and philosopher; and to the dialectical strength of an analysis which, today still, seems to him to be offering one of the most profound assessments of human society.

The logical Moureaux believes that the economic and social changes of the last decades erased nothing from a reality which he judges permanent: Society remains divided among classes possessing antagonistic interests. Even when their speeches advocating unanimism tend to make believe the opposite, the political parties remain, for the most part, the representatives of the various social groups for the interests of which they must win acceptance. Was not Bernard Tapie in the PS sphere of influence and were not workers on the PRL ballots? "It does not shock me. They have a perfect right to be there. I am not sure, however, that they are really defending their class interests."

Why the left? Some adopt a political philosophy because of family traditions. If such were the case, today, Moureaux would be one of these upper-class bourgeois who move happily in the salons of the capital. How does one become a "Flupke Moustache" when one has grown up in a large beautiful patrician house, in the shadow of a father who was a liberal minister of public education? Answer: By giving free rein to one's revolts and keeping one's adolescent ears wide opened. This last point is important. The older Moureaux, who was a liberal with an open mind, did not pick his "servants" on the basis of their political ideas. Far from it: It was under his roof that the young Moureaux met several people who gave him a view of society very different from the one that filtered through the family windows. It was a former

miner from the Centre region, who explained to him that it was sometimes necessary to strike in order to bring success to a protest movement. It was a former textile worker, trained in France by the communist CGT [General Confederation of Labor], who suggested to him that scattered topical events could fit into a theoretical framework. Imbued with his inspirers' ideas, Philippe brought to the family table arguments that were the extreme opposite of his father's political opinions. Exchanges were sometimes harsh. In any case, they were the first hint of a thought that was to take deeper root due to an unexpected event. Being deputy mayor for public education in his commune, the older Moureaux had indeed judged preferable to register Philippe in the public elementary school where he learned to associate with people of very varied backgrounds. There was a change in environment after elementary school: "Flupke" began his humanities in the very elitist Robert Catteau public secondary school, the nursery of Brussels' lay bourgeoisie. Greeted by some of his fellow-students as a "boy from public elementary school," he learned to weigh the condescending contempt that the "teen-agers" sometimes showed toward the younger kids.

A few years later, admiration for a history professor guided his choice of advanced studies: He studied history at Brussels Free University [ULB], specializing in the 18th century and graduating with highest honors. After a stint in the Woluwe-Saint Pierre public secondary school, he returned to ULB to begin an academic career which he is still pursuing to this day, as an ordinary professor. Moureaux took an active part in union activities, but rejected political parties. An independent of the left, listed as a "crypto-communist,"—the word changed to "leftist" later on—, he tackled May 1968 with curiosity and eagerness; endorsed the reform of the university; and contributed to Henri Simonet's election to the board of directors of the renovated ULB. It is Simonet who gradually persuaded him to join the PSB [Belgian Socialist Party] where he met Andre Cools soon afterwards. The similarities of character which unite the mustachioed man from Brussels to the mustachioed man from Flemalle withstood well the storms regularly unleashed by their stormy nature. It is in Cools' shadow, then in Spitaels', that Moureaux climbed the socialist ladder. A minor cabinet official all through the 70's, he became minister (of the interior and of institutional reforms) for the first time in 1980, before becoming a Brussels deputy the following year. After a short tour of duty with Justice and a long stay as chairman of the French Community Executive, he assumes today the responsibilities which should have been Spitaels': To lead the French-speaking socialist ministers, back in power under circumstances which make it necessary to reform the state while controlling the Fourons lobby; accepting rigorous measures and showing that compassion has returned; obtaining from Christians that they take the PS [Socialist Party] in consideration; and persuading the party that Martens 8 is going in the right direction.

That is what is needed to occupy for 15 hours a day, an alert mind and a lean body, fortunately capable of



recuperating by sleeping when possible, even during a short car trip. Appreciated for his intelligence and capacity for analysis, Moureaux suffers sometimes from his poorly controlled angers. In him, subtle thinking goes hand in hand with a straightforward nature. He does not like being crossed and gets angry rapidly, for sometimes insignificant reasons. However, as it often happens with men of that nature, anger is soon forgotten and he bears no grudges. Loyal to his friends, he is also loyal to his associates, who, for many long years, have returned the favor. Should recreation be mentioned? Moureaux has very little time to attend to his four children, the oldest of whom is already a doctor. At noon sharp, he sometimes flies to visit his 79-year old mother, who, a few years back, shared her vote between her two sons: Philippe, a PS deputy, and his brother Serge, at the time, an FDF [Democratic Front of Brussels French Speakers] senator. Indifferent to luxury, but a connoisseur of game cuisine, the PS' intellectual sometimes tries his hand in front of a stove at the old farm which he inherited from his father, in Bois de Villiers, near Namur. That is where he cultivates what he swears is his ultimate ambition: Maintaining a garden.

6857

**Transfer of Authority to Communities Detailed**  
*36190030b Brussels LE SOIR in French 19 Jul 88 p 3*

[Text] Yesterday, Prime Minister Wilfried Martens explained to the Chamber Commission the broad lines of the special draft bill recently tabled by the government. Flanked by the two ministers of institutional reforms, Philippe Moureaux and Jean Luc Dehaene, he then presented the brainchild to the journalists, emphasizing that it undoubtedly was the "most important reform that our country has known since coming into being": The transfer of powers to the regions and communities is indeed of such a scope that, after it comes into effect, our country will be able to take its place among the nations which, as far as their structure is concerned, qualify as federal nations."

The draft bill, which the deputies have begun to study in commission, is supposed to end, before the parliamentary vacation, the first phase of the institutional reforms called for by the governmental agreement. However, the main body of the bill, namely, the real transfer of powers, will only come into effect with the new financing law for the communities and regions, that is to say, theoretically, on 1 January 1989.

In any case, such is the government's intention, but, officials within the government do not conceal that the fine tuning of this critical text—"the heart of the reform," so says Moureaux—, will not be a pleasurable situation. Moreover, politically and legally, this special second law is indissolubly tied to other draft bills,

essentially to the law giving new powers to the Arbitration Court and, above all, to the law pertaining to the Brussels-Capital region which should finally acquire the status that has been promised for the past 18 years.

In any case, with the vote of the draft bill currently under discussion, a major step towards state reform will have been taken. It is a major and probably non-reversible one, for going back would entail a particularly powerful special majority.

The reform work will not end for all that. As a matter of fact, a third phase will still necessitate: The reorganization of the legislative assemblies with a view to abolishing the double mandate of the elect sitting both in the national parliament and in community and regional councils; the fine tuning of a system ensuring governmental stability at the national level; and, above all, the definition of the exclusive powers of the central state as well as the assignment of what in technical terms are called the "remaining powers" to the regions and communities

We know that we have here a problem of constitutional procedure which was not missed by the legislative section of the Council of State: The powers of the communities and regions must currently consist in conferred powers, that is to say, explicitly set forth by the law. This system cannot apparently be reversed, as called forth in the governmental agreement, unless Articles 59bis and 107 quater of the Constitution are "violated."

The prime minister was not, voluntarily?, explicit on this subject, but by recalling that the declaration of constitutional revision, adopted under the previous legislature, set forth the will of the pre-constituent assembly to set up a new system, he seems to imply that the government did not lose all hopes of getting around this difficulty by revising other articles of our basic charter. It is an interesting problem for people who are enthusiastic about constitutional law.

In that context, the main objection of the Council of State to that special draft bill concerned the definition of the economic and monetary union proposed in the report on motives, and the attributions of a remaining power in economic matters to the regions. The final version of this bill no longer makes reference to this concept which it explicitly dismisses, but there are subtle distinctions here since the text assigned the whole economic policy to the regions, with the exception of matters reserved to the central power.

In the long run, the regions will be generally responsible for everything which concerns environment—contingent upon national and European standards—, economy, infrastructure, financing of local powers, employment promotion policy, etc. The scheduled exceptions are aimed at preserving the economic union and monetary unity. As for the communities, they receive the organization of radio-TV advertisement, the support of the

written press; and almost all of youth protection. In addition, each of the federate entities will be responsible for scientific research in the fields which come under their powers.

Let us point out that, for reasons peculiar to Flanders, radio and TV commercial advertising will not be truly transferred to the Vlaamse Gemeenschap until the finance law is implemented. This is another asymmetry, along with the expansion of the Flemish executive and its shift to a proportional system.

As for Jean-Luc Dehaene, he particularly stressed the need for cooperation among the various levels of power, an obvious necessity when the management or maintenance of the interregional infrastructures are considered: Roads, superhighways, and public transportation or telecommunication networks. Pertinent mechanisms for mitigating a lack of cooperation will be formulated this autumn, including a jurisdictional control which remains to be defined.

[Box]

**The Responsibilities of the State...**

- Residual powers
- Exceptions to regional and community powers, in particular, to guarantee the economic and monetary union

**...Of the Regions**

- National development
- Environment
- Economic policy, which includes foreign trade, but not the sector which affects the economic and monetary union
- Energy, within certain limits
- Public works and transportation
- Ancillary powers (trusteeship and financing)
- Employment policy
- Scientific research

**...And of Communities**

- Cultural matters, which includes radio-TV advertisement and support of the written press
- "Personalizable" matters (health, welfare, research, etc.), which from now on includes youth protection

6857

**Dehaene on Achievements, Future Steps in Regional Reform**

36190032 Brussels LE SOIR in French 6/7 Aug 88 p 3

[Interview with Jean-Luc Dehaene, vice prime minister and minister of institutional affairs, on Friday, 5 August 1988 by Guy Duplat: "State Reform and Budget: Dehaene Delighted, Dehaene Worried"; place not given]

[Text] Jean-Luc Dehaene cannot refrain from smiling. The final vote in the House and in the Senate on Phase I of the ambitious state reform can only please the "spiritual father" of the project. The contract has been completed. But the vice prime minister and minister of institutional affairs is already looking at the future, with the four very delicate institutional law bills to be enacted before the end of the year and the 1989 budget preparation to be completed next week: "The budget will be the most difficult test for the government."

The breakfast table set for Jean-Luc Dehaene this Friday morning looks like the new Belgium. The plates are stamped with the Belgian crest and with the motto "Union Makes Strength." But one dish represents a federal Belgium with, aligned, smoked beef from Antwerp, smoked ham from the Ardennes, and what must be Brussels cheese.

[Question] Was it responsible to enact at a gallop such a fundamental state reform?

[Answer] I know that kind of criticism. They talk, for example, about the complexity of our reform. But it would be difficult to transform a unitary state into a federal state without the decision making and administrative procedures becoming more complex. It is obvious that the structure of a federal state is more complex than that of a unitary state. That is inherent in this type of operation. As for saying that we have worked precipitously, I am bound to note that the other state reforms in 1970 and 1980 were carried out at the same speed at the end of the parliamentary session.

[Question] One has the impression that the Chambers were nothing more than simple recording halls with no real opportunity for debates and amendments.

[Answer] When you read the committee reports on our bills, you cannot say that the work was thrown together. You can see that thorough discussions took place, which will be useful to case law. The decrees issued by the Court of Arbitration and the Council of State have always used the parliamentary discussions on the institutional project. The fact that we are working in stages turns out to be an advantage. We have now made the basic decisions on the transfer of responsibilities. In the fall we will have a few months at our disposal to make all of that operational. We will have to specify our financing bill which will set the resources available to the regions and the communities. That will be at least as important as the transfer of responsibilities. We will have to work



equally hard at creating good cooperation among the regional, community and national ministers. The internal organization of the executives will have to be prepared during the coming months. I will mention one example to show the benefits which the new organization could bring about: people have always pleaded for a large department of infrastructures, combining public works and communications. This can now be achieved within the regional framework. There has also often been criticism about the tensions between urban transportation and road transportation. It will be possible to solve this within the regional framework, whereas the rigidity of the national state prevented it. We must also take advantage of the fall to actively prepare the transfer of administrations by taking advantage of the experience of 1980.

[Question] As a matter of fact, it took nearly 8 years to put the transfer of responsibilities provided for in 1980 into practice. Will it take as long this time?

[Answer] Some people believe that once the law has been enacted, we will have everything. I always tell them that this is not true. That it will only be a plan. And that it will be the beginning of a lengthy, thankless and painstaking task. It will be necessary, for example, to determine where the various civil servants will go. But this time we will be able to benefit from the experience of 1980 and, specifically, from the fact that we are working in phases.

[Question] What will the items for Phase II in the fall be?

[Answer] We already have to prepare the very important work to be done in the fall. There are four indispensable bills which have to be adopted together by the Chambers before the end of the year. First of all, on the status of Brussels. I consider this very important, because our bill provides for the implementation of balanced structures in Brussels, with cooperation from both communities. Next, we must reorganize the Court of Arbitration in order to make operational the philosophical guarantees tied to the communitarization of education. There is the very important financing bill which we need to translate into specific mechanisms.

[Question] As a matter of fact, it is surprising that the 1989 budget bill does not take these transfers of responsibilities into account and that it is being developed without consultation with the executives.

[Answer] In a first stage, we are drawing up the 1989 budget bill like a national budget. It is only later on, in the fall, that we will have to determine the overall budgetary sums that will have to be transferred to the regions and the communities. The latter will be able to manage them in full freedom. But it is clear that, during the first year, there will have to be a continuity of policy. We will also have to develop measures for 1989 already, even in matters which will be regionalized. In education, for example, we will have to make provisions for the start of the 1988-1989 school year. Otherwise, we would

be forcing the communities to concentrate all their budgetary efforts in education on the last quarter of 1989. We also have to provide guardrails for the regions and communities in terms of loans, in order to force them to have healthy management and to participate in the effort to cut public finances. Otherwise, we might risk the economic and monetary union. We must provide strict thresholds for the net balance to be financed by the central government and the regions. There were reasons why the National Bank drew our attention to this point. We must avoid a situation like the one experienced by several large cities, which ended themselves so much that they came crying to the central government to take over their debts.

[Question] You also talked about a fourth bill to be voted on before the end of the year, did you not?

[Answer] That document will have to specify the issues organizing relations between the central government and the regions. That is to say, regulations for international relations, the right of recall if certain agreements between the regions and the communities do not become a reality. We will also have to find an operational means to solve conflicts of interest. Conflicts of responsibility are handled well by the Court of Arbitration. We have set up possible structures of cooperation between regions and communities. But as far as conflicts of interest are concerned, the consultation committee which tries to solve these conflicts through consensus does not produce good results. We will have to find a procedure capable of settling conflicts.

[Question] There is still a third phase to the state reform?

[Answer] Yes, this will have to be started immediately at the beginning of 1989. We will have to negotiate the reform of the dual chamber parliamentary system and of the double mandate with both the House and the Senate. I know that we are dealing with a very delicate issue, but it is vital if we want the federal system to function. We will also have to define the national responsibilities in order to be able to transfer the remaining responsibilities to the regions and the communities. That will be the final point to achieve a federal state in all its dimensions. You can see that we are working in stages and that today the reforms of 1970 and 1980 look like preparatory work to the major current reform. Those who say that our reform is precipitous would do well to realize this.

[Question] Some people are afraid that all of this is nothing more than another step toward confederalism and the explosion of the country.

[Answer] It is true that the structures will always remain in evolution. It is not very serious to talk about an ultimate and definitive step. And we will have to see how the new system works. And if corrections need to be made, we will have to make them. But it is those who are preventing the dynamics of the institutions and who are slowing down the state reform who are making up the



bed of those who are advocating separatism. I have always been a true federalist like the prime minister. I am not in favor of regionalizing social security, because it is not a mechanism of transfer among the regions but a mechanism of transfer and solidarity among individuals. But in order to maintain a national social security system, it will be necessary to scrupulously watch so that those working mechanisms will be identical throughout the whole country. The transfers from north to south which some people have noted are due primarily to different mechanisms, such as INAMI [National Institute for Health and Disability Insurance], which sometimes operates differently in Flanders than in Wallonia. We must fight against that through, for example, the system of envelopes. On the other hand, there are transfers from north to south which are due to different population structures. And I have already warned the Flemish that in the future the population in Flanders might well be older than the population in Wallonia and that this solidarity might become reversed.

[Question] Freddy Willockx, the minister for Posts, Telegraph and Telephones, said recently that he had been a happy minister because his responsibilities were not regionalized and he could conduct a long term policy.

[Answer] I, on the other hand, am a happy minister because I can make this state reform a reality. It will make it possible to better respond to the different aspirations of our two communities. It will be more efficient than in the framework of a national structure, where all the decisions or nearly all have to be made on the basis of distribution keys which do not correspond to anything real.

[Question] We have noticed that public opinion remains indifferent to this important recasting of our government.

[Answer] As a matter of fact, I have noted that this reform is taking place partly in indifference, which I regret. Which did not prevent the discussions in parliament from being serious and interesting. When the new session of parliament opens, we will have to be able to organize a major information effort on the role of our regions and our communities. We will have to communicate the message through all audio-visual and written means possible.

[Question] Are you not afraid that the municipal elections will be bad for the majority and will reopen questions on the second phase of the state reform?

[Answer] It was important to choose the basic community and economic options before we went on vacation. With what we have done so far, the majority parties will be forced to complete the state reform after the vacation period, no matter what turn the October elections may take. Because the worse thing for them would be not to finish the state reform. Hence, we have achieved our

objective without forgetting the budgetary goal. It is wrong to say that the government was obsessed by the institutional problem alone. We have completed the enabling laws on competitiveness, on the OPA, and the law on fiscal reform. If, now, we could achieve a continuation of budgetary cuts while implementing the new emphases provided by the government declaration, then the government will have achieved its whole contract.

[Question] Let us talk about the budget. What is the amount of budgetary savings that need to be implemented? Does every minister announce his own?

[Answer] I am aware of only one figure: the deficit must reach 7 percent of the GNP. And let us not have too many illusions. It will be the most difficult challenge the government will face. The reason I do not give you any figures is because I regret that some people believe that a budget is developed in public. What we are going to do will be very difficult. If we cannot do it as a team, with the utmost discretion until the end of our work, then it will be impossible to do. I fully agree with Philippe Moureaux's reaction when he regrets the public positions taken on this issue.

[Question] But more will have to be paid for the new emphases and for the return of the heart?

[Answer] The new emphases will be possible only if they become integrated within the framework of the recovery of public finances. If we do not manage to combine the two, then we will have to realize that to add the heart also would lead us to a heart attack. Because to believe that the pursuit of budget cuts is not necessary, is to create a serious illusion which will lead to harsh awakenings later on.

[Question] But there are heavy mortgages on the budget: the July unemployment figures were very bad and the anticipated increase of interest rates will weigh heavily on the lending rates.

[Answer] There is no need to panic about the unemployment figures; that is a seasonal phenomenon. But we definitely have to keep in mind that employment is a vital priority. On the other hand, I am much more worried about the evolution of the international environment. The interest rates were very favorable for us in 1987. They led to a drop in interest costs which compensated for the Val Duchesse measures which were not implemented. Alas, today we find ourselves in a reversed economic situation.

[Question] Some people have suggested that those interest rate hike provisions not be integrated and that we wait for the 1989 budgetary control to take them into account.

[Answer] No. Those items must be integrated right now. And if it turns out next year that the interest rates are better than anticipated, then it will be that much gained for the budgetary control.

8463

**State Reform Affects Research, Youth, Ministers, Roads**

36190033 Brussels LE SOIR in French  
9, 10, 12, 13/14/15 Aug 88

[Article by Guy Duplat]

[9 Aug 88, p 3]

**Agreement on Scientific Research**

[Excerpt] Since 1980, a part of applied research has already been the responsibility of the regions. Melchior Wathelet took advantage of this to build himself a reputation as "mister technology," to launch the Athena operation, and to turn Wallonia into a center of biotechnology. In Flanders, with the help of a great deal of media attention, Gaston Geens launched his third industrial revolution operation and his Flanders technology fairs. But the research financed by the regions remained weak in terms of the volume of available credit compared to national subsidies. Several political parties (PS [Francophone Socialist Party], CVP, and VU [People's Union]) have for several years now demanded a broader regionalization of science policy. Because this policy could be an important tool for economic development.

The government was divided between the "maximalists" (PS, CVP, and VU) and "minimalists" (SP, and especially PSC) of science regionalization. The compromise which was finally reached remains ambiguous. As Herve Hasquin, president of the board of governors of the ULB, puts it: "The text of the law leaves the door open for all kinds of solutions: this could go from a slight intensification of the regionalization phenomenon—this is already being done to a large extent with applied research—to the extreme solution which would eliminate all substance from the national government and take any means of action away from it. The latter, obviously, did not fly."

The final agreement reached among the ministers was transformed by parliament into a bill. Nevertheless, the political agreement represented by this bill includes important gains:

1) Scientific research was not considered as a homogeneous entity, as a department to be transferred as a whole. In fact, it involves a set of horizontal activities touching on all departments, all authorities. A policy tool for the regions, the communities, and the central government. The communitarization of the universities very naturally carries with it the communitarization of university research, but conversely, the fact that national

defense and the RTT [Telegraph and Telephone Administration] are kept within the scope of the national government justifies maintaining a national policy in the military and telecommunications areas.

2) The document no longer makes any distinction, as it did in 1980, between applied research and basic research. These concepts are mentioned constantly but are very difficult to define exactly. The bond between the two is so close that it is impossible to separate them in the text of a bill.

3) There will remain two research levels with "competing" areas of responsibility, says the government. Theoretically, the central administration will keep a broad power of initiative. In its opinion, the Council of State regretted that it was possible in scientific matters for the regions, the communities, and the national state to take initiatives and provide aid which are in nature competitive. It advocated an "exclusive" division. But the government did not take that advice into account.

**The Role of the National State**

Thus, if theoretically, in the eyes of the law, the regions and the communities could claim virtually all scientific research, the central government can also demand to maintain an important role. It can take action as soon as the project has an international impact or an interest which goes beyond the borders of a community (a unique high technology center in Wallonia could have that "transregional" interest and benefit from national credits!).

The first activities to remain national will be research tied to the national authorities (RTT, National Defense, nuclear research in Mol, etcetera). The national authorities will also hang onto the possibility of conducting impetus programs, of creating scientific groups and "critical masses," of helping centers of excellence beyond the regional borders. Somewhat like the EEC which in scientific matters (Esprit program, Brite, etc.) acts with supranational authority by concluding contracts directly with the enterprises and universities of the various member states.

The national state will have to keep a coordinating function if only to represent Belgium in international scientific arenas. There will always be only one "Belgian" representative at the European space agency, at CERN in Geneva, in the Airbus program, or accredited to the European Communities (the Commission recognizes only states). To ensure that Belgian representation in the large international scientific programs, it will be necessary to define a structure of coordination between regions and communities in order to define "a" Belgian position.

Starting in September, the interested departments will have to determine, item by item, what will remain in the moneybag of the central administration and what will



revert to the communities and the regions. The communities will definitely receive the university budgets (31 billion francs), the FNRS [not further identified] and undoubtedly the major part of the associated funds. The regions will receive a major share of the Ministry of Economic Affairs' scientific research (5 to 10 billion francs). The central government could keep a science budget of 10 to 15 billion francs (space program, Eureka, Institute for Hygiene and Epidemiology, part of IRSIA [Institute for the Promotion of Scientific Research in Industry and Agriculture], the Airbus program, aid to CERN, the interuniversity centers of attraction, etc).

This distribution will be the object of delicate bargaining. Meanwhile the scientific world will have its eyes riveted primarily on the budgetary conclave. Because even more than the communitarization of research, researchers are interested primarily in an increase in research subsidies. This government has once again announced that it wants Belgium to catch up in the matter. Practically speaking, this could be translated in an increase of the science budget by 1 billion Belgian francs. A slight improvement when compared to the stagnation of the previous years. Still to be confirmed.

[10 Aug 88 p 3]

#### Youth Issues To Be Addressed by Communities

[Text] For eight years now, youth welfare has been trying to get out of the national fold and be transferred to the communities. The vote which took place last Friday gave it the ultimate push. No longer will the minors be divided among them: henceforth, the community executives will take charge of the delinquents as well as of the youth who are in trouble. Theoretically, this should lead to the development of a more coherent youth policy.

For the communities, youth welfare represents a budget of 4.28 billion Belgian francs, most of which is allocated to the financing of housing in private institutions. As we already detailed in earlier issues (LE SOIR of 5 August), the communities will now inherit the whole infrastructure of youth welfare, thus including the state institutions with open and closed systems, the social services at the disposal of the juvenile courts, and the Office for Youth Welfare. These new burdens are obviously accompanied by new powers. The communities are no longer solely there to ensure the social welfare of youth. They can also determine legal welfare measures. That is a basic change in direction. It is no longer a question of implementing (and paying for!) the measures taken by juvenile court judges but of determining the measures which those judges can take with regard to delinquents only.

In response to fears that minors might be judged differently depending on what language group they belong to, Valmy Feaux, president of the executive, took the initiative of setting up a consultation with his Flemish counterpart and with the minister of justice.

This will not prevent each of the communities from conducting its own youth policy. The French Community which must henceforth "manage" the locking up of delinquent minors, wants to put an end to the imprisonment of youth. Which does not mean, the minister's staff pointed out, that they want to multiply the number of closed centers, which are very expensive to run. The Community is trying to find a balance between security demands and the desire to conduct a policy which is more respectful of the rights of youth. Priority will in any case continue to be given to open system initial reception centers for delinquents.

Henceforth, the communities head a veritable army of social workers. The state reform financing act should give them an even greater budget. But it is already clear that the sector will have to be reorganized in order to function more effectively than it does today. The Youth Welfare Office, for example, does not have a precise destination yet (it could become a super-administration for youth). The community must also create services (or appoint individuals) to take over the responsibility for youth at risk, which until now had been the domain of the magistrates. Ideally they would have to be available 24 hours out of every 24, 7 days out of 7, and have an authority equivalent to that of the juvenile court judges without carrying out individual treatment. It would be a pity if the "children of the judge" were to be succeeded by the "children of the communities."

#### More Competent Than I...

Everything happens. More than 15 years after the publication of the White Book on youth welfare and 8 years after the first state reform, the fate of young people will no longer depend on juvenile courts alone. The difficult transfer of authority to the communities can be explained by the ambiguity which surrounded the concept of "personalized matters." As of 1982, the first differences of interpretation arose between the state and the executives. The Council of State took 2 years to issue its opinion without really having clarified matters. As far as the Council of State was concerned, the concept of "personalized matters" was centered on the concept of "communication." To facilitate a citizen's "communication" is only to give him rights. Hence, it is the role of the communities to provide assistance to but not to impose obligations on individuals. But when—to separate once more the state and the executives—the Court of Arbitration—four years later—redefined the concept of "personalized matters," they discovered that its interpretation had once again evolved: even when it is constraining in character, youth welfare itself is always a matter of aid. The Court clearly stated that all the infrastructure relative to youth welfare falls under the jurisdiction of the communities. It did not thereby conclude that it is up to the executives to determine the measures to be taken by the courts. But the government felt that the interpretation of the decree went in that direction.



The new powers granted to the communities are likely to hurt some juvenile court magistrates who cannot stand to see their authority curtailed. It is up to the communities now to prove their competence.

[12 Aug 88 p 3]

#### New Authorities Means New Ministers

[Text] When you say new responsibilities, you mean new ministers. The law enacted last week in parliament which allocates new responsibilities to the regions and the communities, also provides for an increase in the number of regional and community executives.

The French Community which has 3 ministers will be able to have "at most 4" of them; the Walloon Regional Executive will be able to go from 6 members to 7; and the Flemish Executive from 9 to 11. Thus, this expansion of ministerial portfolios is not obligatory, but all indications are that it will take place.

Parallel to this enlargement of the regional executives, the national government should implement a weight loss regime. A matter of showing that regionalization does not mean a costly increase in the number of ministers. The ministers for national education and public works, for example, should disappear, and Ministers Yvan Ylieff and Paula D'Hondt should resign from the Council of Ministers.

According to the law, the expansion of the number of ministers can begin on 18 October.

On the French speaking side it seems definite that the expansion of the executive will take place only at the time of the actual transfer of responsibilities, that is to say at the time when the law to finance regionalization is voted on, no later than 31 December.

A PSC-PS agreement allows for the socialists to receive the additional portfolio in the region and the community. But the distribution of responsibilities among the partners remains to be done. The PSC, which will be in the minority in the Walloon Regional Executive (there will be four PS ministers as against three PSC) and already is if you take into account only the distribution of budgetary credits, cannot accept that the socialists take hold of all the new transferred responsibilities (public works, communications, etc.). Hence, there will be a renegotiation of the responsibilities of each and a redefinition of the ideological balances in certain areas, such as the science policy.

At the community level, the arrival of Yvan Ylieff... and of the whole education department will also cause a redistribution of responsibilities. The only PSC minister, Jean-Pierre Grafe, will want to compensate for his isolation with increased responsibilities. Education will be distributed between Jean-Pierre Grafe and Yvan Ylieff. The first one will claim education from the age of 0 to 18

(the period of obligatory school attendance), while leaving higher education, continued training, the universities to the second. But Yvan Ylieff has proposed an ideological distribution: private education for Jean-Pierre Grafe, state, provincial and municipal education for Yvan Ylieff.

#### Ubuesque

While on the French speaking side all these problems should be settled by fall through bilateral PSC-PS contracts, the situation in Flanders is far more difficult.

Is it necessary to recall that the CVP runs the Flemish Executive with the PVV, having signed a government agreement with the liberals? But we know that as a price for its participation in a national government, the SP has demanded to be included also in the Flemish Executive. Because, they said, it would not be normal for a member party of the national majority to enact a transfer of responsibilities toward a regional authority from which it would have been excluded.

The long iron arm of the SP-CVP could have been settled easily if the CVP had rejected the PVV and chosen the SP and the Volksunie as was the case for the national government. But the CVP did not want to burn its bridges with anyone and, as Herman de Croo puts it, "it wants to share its bed both with the liberals and the socialists." The conflict was settled last spring with a fussy, "ubuesque" agreement, the realization of which is also part of the special law on responsibility transfers. For the Flemish Executive alone, and for a period of 4 years, starting on 18 October, provision is made for an executive consisting proportionately of all the political forces in Flanders. The current executive consists of 6 CVP and 3 PVV members. The next executive will have 5 CVP members, 3 SP, 2 PVV, and 1 VU. That executive will not have to make decisions by consensus.

Next September, the presidents of the Flemish parties will have to try to achieve an agreement on the functioning of this future executive. Because otherwise, its functioning is likely to be constantly blocked even without taking into account that there will be two government declarations: a CVP-PVV declaration for matters which are currently the responsibility of the Flemish Executive, and a CVP-SP-VU declaration for matters to be transferred.

There is every indication that there will be no agreement. The Flemish liberals have already announced that they would resolutely oppose the Christian-socialist projects.

#### Drawing Lots

If there is no agreement, the law enacted by parliament provides for 11 specific responsibility packages: education, culture, economic policy and energy, finance and the budget, etc. The parties will take turns in choosing a responsibility. The CVP will be able to choose first and

should choose education to the benefit of former Minister Daniel Coens. The SP has the second choice and should set its heart on economy and energy to the benefit of Norbert De Batselier. The PVV inherits the third choice (for finance or culture?). And so forth.

The CVP had proposed another distribution of responsibilities in the law, by cutting education in two as will be the case in the French Community. But the SP, which could thus have inherited higher education, rejected this because it saw it as a fool's game. They would have had to be content with a share of the education portfolio which is electorally not very profitable, and give up economy and energy. That is why Daniel Coens and the CVP will rule as lords over Flemish education.

The names of the future Flemish regional ministers remain the object of numerous speculations. At the CVP, Gaston Geens remains candidate to the presidency of the executive and Daniel Coens will enter on the scene. Hence, two of the current ministers (Messrs Weckx, Dupre, Kelchtermans, Breyne, Lenssens) will have to be sacrificed.

At the PVV, they will have to choose among the current ministers, Messrs Dewael, Beyens, and Waltniel, the one who will be able to carry the brunt of the operation. Unless Mrs Neyts or Guy Verhofstadt were to join the Flemish government.

At the SP, three names are being mentioned: Pierre Chevalier, Roger De Wulf, and Norbert De Batselier. But Luc Van den Bossche could exchange his national mandate for a regional mandate.

Finally, the People's Union is said to be ready to send one of its "opening up candidates," either Mr Blanpain, professor at the Catholic University of Louvain, or Colonel Candries, the former "Mister FLAG [Flemish Aerospace Group]."

An additional constraint is weighing on the choice of Flemish ministers: at least one should have been elected in the bilingual region of Brussels capital. Hugo Weckx meets that condition, as do Mr Garcia (SP), Mrs Neyts (PVV) and Mr Anciaux (VU). Hence, one of those four personalities is sure to find himself or herself a member of the next Flemish Executive.

[13/14/15 Aug 88 p 3]

#### Roads and Expressways Regionalized

[Text] In principle, as of 1 January we will all be driving the Walloon, the Flemish, or the Brussels way. The special new law allocating new responsibilities to the regions and communities has thus decreed: the roads and expressways will be regionalized. Like the harbors and waterways. Like the trams and buses. Like the regional airports and the merchant marine. And that is not nothing: more than 75 billion francs taken from the

public works and communications budgets will fall into the regions' moneybags. As a matter of fact, public works will probably no longer exist as a national ministerial department. Sic transit.

The matter probably does not keep the Belgians from sleeping, but the question arises nonetheless somewhat insistently: is it possible for all that to function? Will the roads be safer? Does regionalization of the infrastructure really mean a more effective management of the state and of its finances?

Let us dare to say it: that is not the primary goal of the operation. It is undoubtedly justified a posteriori by sometimes very pertinent considerations—they will no longer carry out "useless works" in Wallonia to compensate for the extravagances of Zeebrugge—, but the primary concern of the negotiators obviously was to reach a politically and financially balanced compromise. As they proceeded with the reverse at the time of the Sainte-Catherine agreements in 1986. That is to say that instead of first being interested in a functional distribution of responsibilities, they tried to achieve both a political objective and a budgetary result acceptable to each of the parties represented. They won: the regionalization of the infrastructure counterbalances the communitarization of education.

"The package had to be an important one," charged PRL Representative Willem Draps, member of the Committee on Infrastructure, "in order for the transfer of financing to be important also. I am in principle in favor of the regionalization of urban transportation, but as for the expressways, really..." Jean-Luc Dehaene did not deny anything. And Paula D'Hondt, minister of public works, implicitly confirmed it: "The goal of the operation is political."

#### With a Little Goodwill...

Is that political reason compatible with the technical constraint? A complex question which undoubtedly calls for a nuanced response which we will try to formulate by concentrating on the symbolic question of the network of roads and expressways.

There is no doubt that the federalization of some infrastructures responds to a functional logic which, as a matter of fact, did not escape those who conceived most of the federal states. Thus, in Germany the Bund builds the expressways and keeps ownership of those portions which connect two cities. In the urban zones, municipalities of more than 80,000 inhabitants have the responsibility for both, while the Lander are in charge of all maintenance. In Switzerland, maintenance is also in the hands of the cantons, but the costs of construction, exploitation and maintenance are divided among the confederation and the cantons.

The solution adopted in Belgium is much more radical, in the name of the transfer of "homogeneous packages of responsibilities." Hence, the regions are responsible for everything related to "the roads and their dependencies." Period.

Nevertheless, a dialogue will take place between the executives and the national administration "for minimal technical norms of security," as well as for "the planning, the functionality, and the compatibility of the expressway networks." Which pleases Paula D'Hondt who, in actual fact, does not really seem convinced of the need to regionalize the 1,500 kilometers of expressways which represent approximately one-tenth of the country road network. "But I yielded," she added while recalling her memories of the negotiations which she participated in only by seeing data coming down from the office of Dehaene, which had to be entered on her office computer, one story lower.

The former government formateur, on the other hand, swept all objections away with the back of his hand. When Draps noted in parliament that the Brussels-Liege expressway crosses the language barrier five times, Dehaene looked up and corrected him: "Five times? No: six!"

But that is not serious: today, the maintenance of that road is already ensured, in function of the situation of the sections, by the decentralized services—on a provincial basis—of public works. Which, however, leads to two comments: today, for practical reasons, the Flemish and Walloon provincial services are providing maintenance for road sections located on another territory. That is true not only of the Brussels-Liege expressway, but also, for example, of the national 3, the national 5, or the "links" between the Brussels network and the ring which surrounds the capital.

"There is no reason to disrupt all that," they say at the Ministry of Public Works whose chief of staff, Michel Roelandt, had an inventory made of all those territorial infringements. But they admit that there might be problems of budgetary distribution, currently handled through a general compensation between the various services. This leads to the second comment which obviously relates to the fact that all those decentralized services exchanging good procedures among themselves, will henceforth be placed under different political authorities.

"With a little good will on both sides, it should be possible to come to an agreement on this," opined the minister. And, in an echo, Roelandt draws attention to the new Article 92b of the law, which authorizes the state, the communities, and the regions to conclude cooperation agreements.

### How To Regionalize Technology?

True, with a little good will it should be possible to find an agreement on this. But with that somewhat caricature-like example, which the opposition was only too happy to use, one has not really exhausted the issue of the regionalization of the road network and, especially, of the responsible administration.

As a matter of fact, it would seem that it is the latter which poses the most delicate problems. Not at the level of local services, which are already decentralized to a large degree, as we have seen, but of the central administration and of all its highly technical services. Are they going to set up three "Offices of Bridges," three "Geotechnical Institutes," three "Special Layout Services," etcetera? In principle, yes. But those highly specialized agencies are composed of civil servants and especially engineers of whom it is not known whether it will be possible to distribute them equitably among the three regions. "There will have to be an intermediary phase," thinks Paula D'Hondt. "At least, during the first year," added the chief of staff. In committee, Jean-Luc Dehaene in turn expressed his support for a joint exploitation, through a cooperation agreement, of a single telecommunications network of the Electrical and Electromagnetical Administration, one of the high tech departments of the Ministry of Public Works.

Another problem to solve is from what time onwards the regions will be financially responsible? The minister will shortly request the authorization to award the contract for the crossing of the Red Water in Wallonia. On Tuesday, the conversion of the rue de la Salle should start. All those programs have an implementation program spread over several years, with payments starting 3 to 4 years after spending has begun. Who is going to pay? The state or the regions?

"For the time being at least, we are proceeding as if nothing were going on," explained Paula D'Hondt, who added that the state is nevertheless being somewhat cautious due to the circumstances. Which does not necessarily please the companies in the construction sector, which are worried about a possible break in the continuity of program implementation.

As one can see, the regionalization of public works will require more than two bills to carry it through to a successful conclusion. The road, no bad puns intended, is still long. And is dominated by a question which probably intrigues the users more than the balance of the political agreement. Because, trivially, the question is not so much knowing whether one will drive in Flemish or in French; but whether we will be able to drive without encountering too many potholes.



## DENMARK

### Poll Shows Voters Moving Toward Progress Party in Drove

**Losses Mainly From Conservatives**  
36130002 Copenhagen BERLINGSKE TIDENDE  
in Danish 4 Sep 88 pp 1, 2

[Article by Ole Dall: "Shock Figure for Schluter: Voters Fleeing to Progress Party"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] A dramatic Gallup poll shows that since the election the Conservative Party has said farewell to one of every three of the party's voters. The Progress Party stands to gain an additional 23 seats, and is almost as large as the Liberal Party and the Conservative Party combined. "We are entering into a protest time," said Poul Schluter.

The voters are fleeing from the Conservative Party. Today's Gallup poll gives that party a dramatic setback of almost 7 percent since the election in May. This corresponds to one of every three of the party's voters having said farewell.

And it is the Progress Party which has scored a triumph. The party leaped forward and—according to Gallup's survey—stands to gain 23 seats if an election were held now. The Progress Party is obtaining support from more than every fifth voter, and one must go all the way back to the party's beginning to find a corresponding level of popularity.

Only 12.6 percent of the voters would cast a ballot for the Conservatives, and this harsh assessment by the electorate would reduce the party to fourth place. Both the Progress Party and the Socialist People's Party would pass it.

The Liberal Party—and to a smaller extent the Radical Liberal Party—also suffered a decline, and since the last election the KVR [Conservatives, Liberals, Radical Liberals] parties have lost almost 10 percent of their voters. This corresponds to 17 seats.

The Social Democrats would lose at least three seats with an election now, and the Christian People's Party has now been below the 2 percent threshold for entering the Folketing in three polls in a row.

Prime Minister Poul Schluter (Conservative) said to BERLINGSKE TIDENDE that "particularly for the Conservatives, the Gallup poll is a serious signal." According to the Prime Minister, "a vacuum of uncertainty and uneasiness" has been created because the new KVR government can only set forth its policies and get results only starting next month, after the Folketing's summer vacation.

Regarding the advance made by the Progress Party, Schluter said, "We are entering into a protest time, in which many voters are demanding immediate action on lowering taxes. The Progress Party's call for the easing of taxes is theoretical, and not at all guided by realistic proposals. But it sounds so nice." At the same time, the Prime Minister expressed satisfaction "that the Social Democrats/Socialist People's Party tally of 42 percent is the lowest figure in many years."

#### The distribution of seats:

	Gallup Poll	1988 Election
Social Democrats	52	55
Radical Liberals	8	10
Conservatives	23	35
Socialist People's Party	26	24
Center-Democrats	8	9
Christian People's Party	0	4
Liberal Party	19	22
Progress Party	39	16

Political Index—Question: Which party would you vote for if a Folketing election were held tomorrow?

Data gathered during the period 20 August-1 September 1988.

	10 May 1988	May 1988	June 1988	August 1988
	Percent	Percent	Percent	Percent
Social Democrats	29.8	30.2	30.1	28.3
Radical Liberals	5.6	5.8	5.0	4.5
Conservative Party	19.3	18.1	18.0	12.6
Socialist People's Party	13.0	12.2	14.6	14.1
The Greens	1.4	-	-	-
Danish Communist Party	0.8	-	-	-
Center-Democrats	4.7	4.2	4.8	4.4
Common Course	1.9	-	-	-
Christian People's Party	2.0	-	-	-
Liberals	11.8	12.7	11.7	10.0
Left-Socialists	0.6	-	-	-
Progress Party	9.0	11.0	11.4	20.8
Other Parties*	0.1	5.8	4.4	5.3
Total	100	100	100	100

\*Parties with fewer than 2 percent of the voters.

#### Paper Comments on Poll

36130002 Copenhagen BERLINGSKE TIDENDE  
in Danish 4 Sep 88 p 18

[Editorial: Poul Schluter's Milestone]

[Text] Just before his sixth anniversary as government head, Prime Minister Poul Schluter has had to admit

that the Danish electorate has handed him an unpleasant surprise. And of historical proportion, with the Progress Party, according to Gallup, having achieved a backing which is greater than during the "landslide election" of 1973. Now of course an opinion poll is somewhat a free protest, but it must nevertheless call for deep pondering that the party—now the country's second largest—has doubled its popularity in only 2 or 3 months. Almost like an explosive influenza epidemic. Still, there are two features which are striking. The first is that 35 percent of voters are now situated on the extreme wings of the political spectrum, while the center is being abandoned. And the second feature is the large movement to the right, which contains a message for the entire parliamentary system.

This has been an incubation period for the protest now awaiting in a holding pattern. But the nation's frustrations have surely accelerated with a vengeance here this summer, with the postponed and erroneously-printed tax statements, the large bill for supplemental taxes, the political chaos surrounding the interest payment surcharge, and perhaps also the prime minister's saying of farewell to two of the old four-leaf clover coalition parties.

These events have also surely stirred up earlier irritations still in mind. Did the tax reform become what it did because Tax Minister Foighel perhaps made himself a wrestling partner with [former Tax Minister] Lykke-toft? Was the finance minister uncomfortable with the tandem which the employees spun into a wages agreement with all too great wage increases, which are now having to be paid for by business? Now the country is facing unemployment, stagnating consumer spending everywhere and environmental worries. One thing affects another. Result: dejection.

Many people have obviously forgotten all the good achieved by Schluter and his assistants. They have forgotten that he has wiped out a state deficit which was on the way toward 80 billion kroner, and that he also cut interest rates in half. It also seems forgotten that he was among those who helped write history with the EC package and probably in addition with the NATO election of last spring, whose security policy result was solidified with the change of government. But above all, many voters have forgotten that they themselves have given the government a difficult Folketing and a fight for the required 90 votes from issue to issue.

Now the government has to fight—in a nice democratic sense—back and forth. The taxes and deductions will be made simpler under more peaceful forms, with a lowered tax pressure on the horizon. The mortally offended business sector, which far from being without blame for the situation, must feel again that carrying on private economic activity in this country is good. And the public sector must be put on a diet without being destroyed. The Progress Party perhaps has a few brilliant ideas. However, these must be put on the table all together,

even those which are self-contradictory, so that people know what they are saying yes to. There will hardly be an election soon if the government can hold together with the same melody and make it convincing. Its will is obvious.

/9274

#### **Glistrup Comments on Poll Showing Gains for Progress Party**

36130003 Copenhagen BERLINGSKE TIDENDE  
in Danish 6 Sep 88 p 1

[Article by Ole Dall: "Progress Party Now Demands Schluter's Place"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The Progress Party would like to have the prime minister post if the party, following the next election, is the largest nonsocialist party. Mogens Glistrup of the Progress Party said that the tax on interest and supplemental taxes will cause the Progress Party's Gallup figure to explode.

Mogens Glistrup or Pia Kjaersgaard ought to become prime minister if the Progress Party, after the next election, is the largest nonsocialist party. This was said by Glistrup to BERLINGSKE TIDENDE based on Sunday's Gallup poll, which showed the Progress Party to be clearly the largest nonsocialist party.

"In all the negotiation rounds for forming governments since 1982, the Progress Party has said that when there is not a nonsocialist majority in the Folketing, the prime minister should come from the largest of these parties," Glistrup added. On the question as to whether he, as party founder, or Pia Kjaersgaard, as political spokesman, will be the party's candidate for prime minister, Glistrup answered that "we will surely find an answer to this."

Regarding the strong advance in the Gallup figures from the end of August, Glistrup said: "I think that the greatest single factor is that people have returned home from their summer vacations to find mail on the floor demanding supplemental taxes and surtaxes on interest, and then they have reacted by saying: 'This is really too much!'"

Glistrup urges the KVR [Conservative-Liberal-Radical Liberal] government to have a long-range agreement with the Progress Party on cuts in government spending, which among other things he proposes would include: ending of foreign aid to Third World countries, shutting down the Cultural Affairs Ministry and halting all government spending for culture, a halt to all subsidies to Greenland and the Faeroes, ending all appropriations for refugees and removing 100,000 civil servants, who in 1989 would have to move into the private sector.

"But I have no basis from experience to believe that the KVR government will act with reason. And so this means that Denmark is going to continue on its way to hell," said Glistrup.

He called support from 20.8 percent of the electorate "triumphant," but the party founder added that "we still lack 79.2 percent—since in reality all are Progress Party people. They just don't know it."

## PORTUGAL

### **KGB Allegedly Involved in Tobacco Contraband** *35420125 Lisbon TEMPO in Portuguese 28 Jul 88 p 56*

[Article by Jose Mateus: "KGB Supplied Tobacco to the Aveiro Connection"]

[Text] The intricacies of the contraband business have in recent years undergone major modifications and changes. The Aveiro Connection trial served to clarify this evolution.

The biggest boss of the tobacco contraband south of Mondego—a historic figure in these struggles—retired from the business approximately 3 years ago. An informed source insisted to TEMPO that other contrabandists who were prominent in the decades between 1945 and 1980 retired along with this "historic figure" (whom the 5th Division in 1975 even asked to carry out surveillance of the coast in exchange for free transit on the land frontier—an offer which he did in fact refuse).

Thus left open, this field was rapidly taken over by organizations of a new type. Our source states that there is no resemblance between the contrabandists of "then" and those of "now." "For decades," he said, "if the old man had wanted to, he could have inundated Portugal and Europe with drugs, but he always refused to transport anything other than tobacco in his ships and trucks. If he by chance discovered that one of his men was involved in drugs, either as a user or as a seller, he took care of him at once.... And he always knew what was going on, because his intelligence was well organized! He was a working man who liked to help someone who was just beginning but had a well defined and quite strict code of honor. Moreover, because of its calls at the port of Gibraltar, the British police and MI-5 knew everything about what his organization was doing but never had anything to charge him with. On the contrary: It was the old man who whenever there were efforts to involve him with drugs would threaten to ask the British for the names of the corrupt police who were involved in drugs.... But although he was—in his way—a man of honor, the individuals who came along later are using tobacco primarily as a cover for drugs and, from time to time, arms."

Other changes took place as well. The large measure of autonomy of the local networks is being replaced by a process of integration from above that imparts to

present-day contraband activity an organic quality never before seen. These new organizations are making extensive use of the new technologies of communications and transportation, have excellent lawyers to find loopholes in the law, and have diversified their international connections and relations.

The local Viana, Aveiro, Tejo, Setubal and other networks now have a "head" with contacts and "correspondents" in Spain, Colombia, Miami, Belgium, The Netherlands, Germany, Switzerland, and also Hungary, where a KGB-built factory is making counterfeit Winstons and Marlboros, the profits from which are used to finance secret activities by the men of the Kremlin. All of this counterfeit tobacco is sold—obviously—in the West as if it were American tobacco, to obtain foreign exchange.

Persons under the control of the KGB also serve specifically as financiers whenever the volume of business requires that a lot of money be immediately available. In addition to earning foreign exchange, the agents who work for—or in behalf of—the KGB are also attempting to involve Western politicians and military personnel in these activities in order to control them and make use of them whenever the decision to do so is made by higher authority.

In the opinion of our sources, the Aveiro Connection is merely the tip of an enormous iceberg that not only includes the Tejo, Setubal and Viana organizations but also has many international relationships and friends in various places.

10992/7310

### **New Decentralization Law on Powers Delegated to Chefs de Cabinet**

*35420132b Lisbon DIARIO DE NOTICIAS  
in Portuguese 7 Aug 88 pp 3, 5*

[Article by Jorge Goncalves]

[Text] Passing almost unnoticed was the recent publication of a decree-law signed by all the ministers and giving members of the government broad authority to delegate powers to their chefs de cabinet. Seemingly, that measure makes it possible to relieve ministers of such tasks as the signing of papers appointing low-level ministry employees. But there are other implications: By being transformed into ministers or secretaries of state "by proxy" and without taking the oath to the president of the Republic, the chefs de cabinet can make decisions that will spare the ministers the political inconvenience of having to face the Supreme Administrative Court and conspicuously disobeying its rulings. Decentralization—which means bringing the administration closer to the citizens—may result in the erection of a "screen" between the government and the population.



Servulo Correia, a professor of administrative law at the Lisbon Law School, told DIARIO DE NOTICIAS that "this instrument may serve to remove the political responsibility of the ministers and secretaries of state for certain actions," since "an action's degree of political importance is necessarily diminished when it is taken by a chef de cabinet."

Chefs de cabinet are simply administrative agents, although enjoying the political confidence of the member of the government to whom they are answerable and by whom, under the terms of the law, they are "freely appointed and dismissed."

The members of the government (ministers and secretaries of state) are political agents and, therefore, answerable to the prime minister and the Assembly of the Republic.

This phenomenon—now possible—of not taking political responsibility for certain actions also has consequences in connection with legal disputes.

While recourse against actions taken by members of the government falls within the purview of the Supreme Administrative Court (STA), actions taken by chefs de cabinet will fall within the jurisdiction of the district special hearing tribunals (TAC's), under the terms of the Statute on Administrative and Tax and Fiscal Courts.

The result is that by delegating authority to their chefs de cabinet, the members of the government will be able to escape the jurisdiction of the STA. Everyone knows, for example, about the disputes existing between that court and the Ministry of Agriculture, which is being accused of ignoring STA rulings invalidating certain actions by the minister on the grounds that they are illegal.

Servulo Correia says: "This pattern may provide a screen behind which the ministers will hide in order to implement certain administrative actions."

#### Parallel Structures

Moreover, according to that expert on administrative law, "one of the biggest dangers of this decree lies in the transformation of the staffs of the members of the government into structures parallel with the administrative structures properly so called, which are the general directorates and the dependent institutes."

A strengthening of the powers of the chefs de cabinet through the mechanism of delegation of powers may in fact lead to elimination of the functions of those administrative structures, whose purpose is to deal with problems on a more technical level.

The extent to which ministers and secretaries of state will stop delegating some of their powers to the directors general and begin delegating them instead to their chefs de cabinet remains to be seen.

Servulo Correia also calls attention to the fact that "the mechanism of delegation of powers is an instrument of administrative decentralization" aimed not only at "bringing decisions closer to the people they affect" but also at making it possible for those decisions to be made "by those who have a greater technical familiarity with the problems."

But as Servulo Correia points out, delegation of authority to the chefs de cabinet "does not serve that purpose." Ministerial staffs are "farther away from the people affected by their decisions than are the administrative structures answerable to the ministries."

#### Conflict of Authority

Until now, the authority of the chefs de cabinet has been limited to "staff management, liaison with the various services of the ministerial department in question and other state departments, and representation of the member of government in question in matters not strictly personal in character," according to the legislation that has now been revoked.

From now on, a minister's chefs de cabinet will have not only those duties—which are retained under the terms of Decree-Law No 262-88—but may also take action on matters for which their minister is responsible but which he has delegated to them. This places them on the same level as secretaries of state, since the latter also have no authority of their own and act only on matters delegated to them by the minister to whom they are responsible.

In Servulo Correia's opinion, this new legal instrument may "lead to ridiculous situations in which the chef de cabinet will have decisionmaking powers carrying greater political responsibility than those of a secretary of state."

Furthermore, as that jurist points out, "nothing in the law prevents a member of the government from delegating authority to carry out certain actions to more than one entity."

This opens up the possibility of real conflicts of authority between a chef de cabinet and, for example, a secretary of state, who is a member of the government with political responsibility.

The way in which the members of the government apply the mechanism of delegation of powers to their chefs de cabinet will determine to a large extent whether such unfavorable situations arise.

For the moment, Servulo Correia draws attention to one beneficial effect: that of "freeing members of the government from essentially bureaucratic tasks." As one former minister told DIARIO DE NOTICIAS: "I found myself signing a contract hiring a janitor to work at the ministry."

Servulo Correia says: "Statistically, the number of decisions of that kind being signed by ministers must be very high."

From that standpoint, the delegation of powers to the chefs de cabinet may be a step toward the objective, mentioned by Freitas do Amaral in his book "Course in Administrative Law," of "freeing ministers of day-to-day decisionmaking so they can devote themselves primarily to their political functions and top-management duties."

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### Poll Finds Increased Indifference, Cavaco Popularity Loss

35420132c Lisbon SEMANARIO in Portuguese  
20 Aug 88 pp 1, 7

[Article by J.P.B.; first two paragraphs are SEMANARIO introduction]

[Text] In the vacation month (July), half the Portuguese felt that the government's performance was "neither good nor bad." Indifference was up, and favorable and unfavorable opinions both dropped in equal proportions. The former were concentrated in the North and in Greater Porto, with some drift toward the Coast. The latter were strongest in Greater Lisbon and the Southern Interior. The government is most popular with the upper classes and in the 25-34 age group. It is least popular with the lower classes and among people between the ages of 35 and 44.

Personally, Prime Minister Cavaco Silva, whose popularity had been rising since March, was down again in the polls: from 42 percent to 37 percent. But those who no longer favor him have joined the ranks of those who don't know or do not answer, with the result that his level of unpopularity remains at 23 percent. Here again,

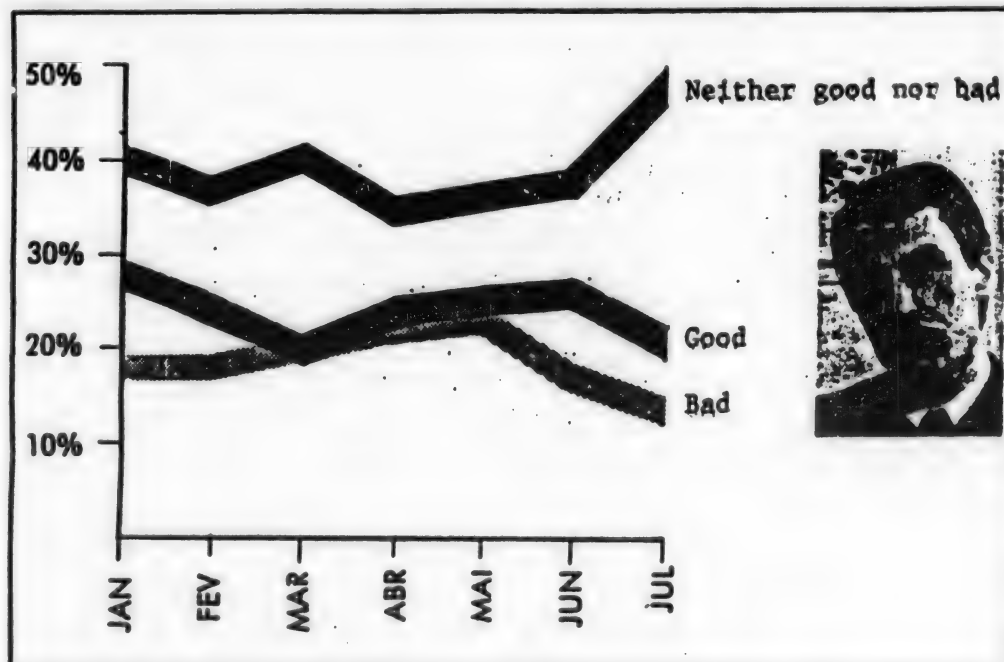
summertime indifference plays a part. The social and geographic profile of opinion concerning Cavaco is more or less similar to that concerning the government.

It is said that hot weather softens bodies and inflames passions, and it appears that it also moderates opinions. The Portuguese went to the beach with undefined ideas about the government. Vacation time is vacation time.

In July, which was when this poll was taken, there was a soaring increase in the number of those feeling that the performance by the government ruling us was neither good nor bad. The result was a decrease in both favorable and unfavorable opinions. But since both fell by the same proportion, the government held its own. Enjoying the murmur of the waves and the delights of the countryside in summer, the Portuguese are brushing their political concerns aside with a weak wave of the hand until the resumption of activity in the fall.

Geographically, the government's highest level of support continues to be centered in Greater Porto and the Northern Interior, with a drift toward the Coast (it would be too easy to attribute this to the migration to the beaches). Men are still the ones with the most definite opinions; it is they who are most pleased or displeased. It is mostly the women who don't know or do not answer.

Those who like the government are primarily in the 25-34 age group, which is the dynamic age. Those who do not like it are in the older age group—between 35 and 44 years of age. Disillusionment? Who knows? But while those favoring the government are the ones who have things better in life, being in the highest social class,



those opposing it are located farther down on the ladder. They are also farther down geographically, being located in Greater Lisbon and the Southern Interior.

If we examine a graph showing how answers have changed over the months, we see that the uncertainty which took firm hold in November 1987 still predominates. It was then, in fact, that the abrupt autumnal fall in the government's popularity began, and it reached its lowest point last March. It then recovered slightly, never allowing itself to be outstripped by unfavorable opinion. The trend toward a recovery, which continued through April, May, and June, has now been interrupted once again.

As far as opinion of the prime minister personally is concerned, it turns out that after rising steadily since March, Cavaco Silva's popularity is now down from 42 to 37 percent. A 5-point drop is a sizable one, but the tumble in February-March (8 points) was greater, and that did not prevent him from getting back on his feet again.

Moreover, all of the 5 percent who stopped liking the prime minister joined the group that did not know or did not answer, since the number of those disapproving of him remained at 23 percent. Here again, we can detect summertime indecisiveness.

The standard picture of Cavaco Silva's followers differs little from that of the government's supporters: they are men between 25 and 34 years of age, they belong to the upper class, and they live in Greater Porto. They are no longer

found in the Coast region, however, but—oddly—in the Southern Interior. Those who do not like Cavaco are also found in the Southern Interior (it is in that region that opinions are most definite), they are between the ages of 35 and 44, and they are centered in Greater Lisbon, but in this case they belong to the upper middle class.

#### Technical Data

Universe: Individuals over 15 years of age and residing in localities of 10,000 or more inhabitants in mainland Portugal.

Sample: A total of 994 individuals.

Sampling: Homes were selected by the random route method, and the quota method was used to select the individual to be interviewed in each home. The sample has nonproportional imputation, being weighted at the data processing stage to ensure the representativeness of the universe in question.

Sampling Points: A total of 140 sampling points (localities).

Interview Technique: Direct personal interviews using a structured questionnaire at the home of the interviewee.

Field Work: Interviews were conducted between 11 and 29 July. Thirty-five interviewers participated in this poll.

Responsible Institute: The poll was conducted by NORMA, Inc., the Portuguese member of Gallup International.

#### Opinion of This Government's Performance Over the Past 4-5 Months

Opinion	Age						Socioeconomic Status				Region				
	Total	15-24	25-34	35-44	45-54	Over 54	Upper	Middle	Lower	Lower	Greater Lisbon	Greater Porto	Coast	Northern Interior	Southern Interior
Extremely good	0.2	0.0	0.0	0.0	0.0	0.6	0.0	0.6	0.1	0.0	0.0	0.3	0.4	0.0	0.0
Very Good	0.9	1.0	0.6	0.0	0.8	1.4	0.0	1.0	1.1	0.8	0.6	1.2	0.8	1.4	0.2
Good	19.5	21.2	24.6	22.2	14.4	16.3	29.6	19.5	18.0	14.0	15.7	26.5	19.9	19.6	19.1
Neither good nor bad	48.1	53.0	51.6	45.7	53.0	40.6	49.4	52.0	50.5	36.7	53.3	50.3	46.2	45.2	46.0
Bad	11.4	8.4	12.1	16.4	9.2	11.8	12.0	11.2	11.4	11.2	14.2	8.3	10.7	8.4	14.7
Very bad	1.6	0.6	0.2	2.1	4.4	1.5	0.5	3.3	0.9	1.7	1.7	2.1	1.1	1.9	2.1
Extremely bad	1.5	0.8	1.6	2.0	0.3	2.3	2.9	2.3	1.0	0.0	2.6	2.9	0.7	1.7	0.2
Don't know	13.1	13.9	8.3	3.9	15.2	19.6	2.7	7.2	14.7	27.4	10.1	3.8	15.4	20.3	11.3
No answer	3.7	1.1	1.0	7.8	2.7	5.9	2.9	3.0	2.4	8.2	1.7	4.6	4.8	1.6	6.4

#### Opinion of Cavaco Silva's Performance as Prime Minister

Opinion	Age						Socioeconomic Status				Region				
	Total	15-24	25-34	35-44	45-54	Over 54	Upper	Upper Middle	Lower Middle	Lower	Greater Lisbon	Greater Porto	Coast	Northern Interior	Southern Interior
Approve	36.9	39.0	44.6	37.0	36.5	30.4	52.5	38.6	34.2	26.7	35.1	43.3	35.5	35.9	39.8
Disapprove	23.1	16.5	22.4	29.2	24.8	24.4	21.2	30.2	20.9	19.0	31.9	25.3	19.1	16.9	24.6
Don't know/no answer	40.0	44.5	32.9	33.8	38.7	45.1	26.4	31.2	44.9	54.3	33.0	31.4	45.4	47.2	35.6



**CDU Wins Local Elections in New Districts**  
*35420132a Lisbon DIARIO DE NOTICIAS*  
*in Portuguese 22 Aug 88 p 20*

[Text] The Unitary Democratic Coalition (CDU), which consists of the PCP, Democratic Intervention, and the Greens, yesterday won the interim elections in most of the parishes in Alentejo and the Setubal District.

Of the 23 parishes that went to the polls yesterday, results from the two parishes in Oliveira do Hospital and the two in Benavente were not yet known as this issue went to press.

In Montelavar (Sintra), voting did not take place because the ballots had been stolen.

The elections were held as a result of the creation of 11 new parishes in 10 municipalities and the need to hold new elections in the 13 mother parishes (13 including Matelavar).

In the newly created parish of Trigaches in the municipality of Beja, 591 voters were registered, and 370 of them voted. The CDU received 234 votes, and the PS received 133.

In the mother parish of Beringel, there were 1,667 registered voters, of whom 720 voted. The CDU garnered 552 votes and the PS 150.

In Montemor-o-Novo, the CDU won in the new parishes of Corticadas do Lavre, Fores de Vale Figueira, and Silveiras and in the old parishes of Lavre and Cabrela.

In Corticadas do Lavre, the CDU received 416 votes, the PSD 164, and the PS 32. In Fores de Vale Figueira, the CDU received 402 votes and the PS 106. In Silveiras, the CDU won 310 votes and the PS 24.

In the parish of Lavre, the CDU won with 321 votes, followed by the PSD with 110 and the PS with 53. In Cabrela, the CDU received 289 votes and the PS 198.

In the municipality of Reguengos de Monsaraz, the CDU won in both the new parish of Campo and the mother parish of Campinho.

In Arraiolos, the CDU won in the new parish of Sabugueiro and also in the old parish of Sao Pedro de Gafanhoeira.

In Sabugueiro, the CDU received 306 votes and the PSD 73. In the mother parish, the CDU received 339 votes, the PSD 55, and the PS 21.

And in the municipality of Palmela, the CDU won not only in the new parish of Poceirao but also in the old parishes of Palmela and Marateca.

In Poceirao, the CDU received 624 votes, the PS 100, and the PSD 448. In Palmela, the CDU received 1,341 votes, the PS 348, and the PSD 606. In Marateca, the CDU garnered 598 votes, the PS 77, and the PSD 338.

In the Algarve municipality of Loule, the new parish of Benafim will be governed by the PSD, which beat the CDU at the polls by 506 votes to 114. There were 1,085 registered voters.

For its part, the PS won in the mother parish of Alte, where it received 451 votes to 186 for the PSD and 77 for the CDU. Attention should be drawn to the high abstention rate, which came close to 68 percent.

In the municipality of Moita, the PSD and CDU shared victories. In the new parish of Vale da Amoreira, the PSD won seven seats, the CDU five, and the PS one. In Baixa da Banheira, the CDU won 12 seats compared 1 for the PS. The PSD and the UDP [Popular Democratic Union] won no seats.

In the municipality of Sintra, the PSD won in Pero Pinheiro with 1,144 votes, compared to 425 for the CDU and 40 for the UDP.

The new parish was created by splitting the local government of Montelavar, where it was not possible to hold an election yesterday because the ballots had been stolen from inside the automobile belonging to a local official.

It was the CDU itself which announced to the media that that election may now be held next Sunday. We contacted the Sintra City Hall and the CNE [National Electoral Commission] by telephone, but were unable to speak with anyone.

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## SWEDEN

**Sweden Seen Needing Revised East Europe Policy With Gorbachev**

*36500152 Stockholm SVENSKA DAGBLADET*  
*in Swedish 24 Jul 88 p 3*

[Guest commentary by Sverker Astrom: "Swedish East Europe Policy Sought"]

[Text] The dramatic change caused by the Gorbachev phenomenon forces us to ponder whether the current balancing suffices as Sweden's East European policy, writes the author, Sverker Astrom, who has been undersecretary of state for foreign affairs in the Foreign Ministry, among other things.

Sweden's Europe policy is of great immediate interest, one aspect of it at any rate. The government, political parties, the media, business organizations and trade unions are racing to show interest in our place in the West Europe integration process.

With very few exceptions, they all maintain that it is of vital importance for Sweden that nondiscrimination forms be allowed to participate in the free European market that is to be created before the end of 1992. Almost gone is the morose and somewhat self-righteous attitude toward a European Economic Community [EEC] which in previous years so many people viewed as a capitalistic, colonial and catholic conspiracy against all the noble ideals which characterized the Swedish welfare society and Sweden's neutral foreign policy. Now it is being repeated with remarkable unity that without great difficulty, Sweden would be able to accept almost all the obligations of the Rome Treaty, and that neutrality is the only real hindrance for membership. These statements are followed up by enthusiastic declarations of our European identity which in itself is self-explanatory.

#### **The Gorbachev Effect**

This is all fine and dandy. But our unity on the policy toward EEC must not lead us to forgetting that there is a part of Europe that is not a member of either EEC or EFTA, and that perhaps Sweden is in need of a conscious policy toward this Europe as well. There is less talk about that, almost no talk at all. Nevertheless, great upheaval is currently taking place in East Europe that will affect the relations between East and West for a long time to come, and will, to a high degree, also put greater importance on our own role in this dramatic and historic event. We are still far away from a real analysis of the Gorbachev effect in the European context, although all are in agreement that "something has happened" which in reality can change the Europe policy requirements. In this situation there is an obvious need for a well thought out Swedish East Europe policy.

Such a policy must obviously be based on the Helsinki Accords from 1975. At that time, the 35 states obligated themselves to accept the borders that were created after World War II. The document became a sort of peace treaty. In addition, it contained decisions on military confidence building measures; culture and trade; human rights and family reunions; news reporting and environment. All these nice things are now being discussed in Vienna, and it is expected that a new document will be drawn which will bring the European Security Conference [ESC] further along.

In this, Sweden is carrying out an important task as a promoter and an initiator along with the other NN states [Non-allied Nations]. But that is not enough. Sweden's Europe policy must not be exhausted with contributions to the ESC process however discerning and energetic they may be. This assertion needs explanation.

The development in East Europe has for almost the entire postwar period forced Sweden at times to difficult adjustments and positions. The communist regimes, which Stalin in his time forced morbid suspicion upon, are all states that lack national identity and reflect a radical opposition, often hostility between state and the

people. So far, the regimes have neither wanted to nor been able to reform their system toward democracy and fundamental human rights. The result is repeated revolutionary movements, violent demonstrations and sometimes bloody incidents, at times accompanied by Soviet military intervention.

#### **Double Standard**

Before these incidents, Sweden's only role has been the concerned observer. We have condemned official take-overs and Soviet intervention. In the UN, we have supported resolutions representing this. During the Gdansk uprising in 1981, Ola Ullsten went so far in his capacity as foreign minister as to concur with a demand formulated by NATO for specific measures (dialog between the state, Solidarity and the church, release of political prisoners, etc.).

We have supported those who fight for greater freedom in East Europe with rhetoric and in some cases with humanitarian aid shipments. Therewith, we have without any doubt indicated certain hopes to them that in case an open fight would break out, our solidarity would also be expressed in more tangible commitment. At the same time, we know that Sweden's careful foreign policy excludes such undertakings. In this lies a moral double standard. Fortunately, the issue has never been put to a test.

#### **Insufficient**

The dramatic change that has been caused by the Gorbachev phenomenon forces us to ponder whether the balance up to now, together with contributions to ESC, suffices as Sweden's East Europe policy. The answer must be no, and the reason for that is as follows.

If there is a threat of war in Europe, the reason is primarily the development in East Europe. There is fear that incidents in any of the East European countries of the same type as in Berlin 1953; Budapest 1956 and Prague 1968 lead to increased tension, military preparations on both sides and finally, an armed tug of war involving all of Europe. During this decade, such a scenario has in reality been demonstrated as the main hypothesis in the war games that are played by the Western countries' defense staffs.

For a European country like Sweden it is of crucial importance that this risk of war be reduced. If we can contribute in any form, even if it is in a modest way, that task must receive highest priority. The main thing is not to be overly ambitious, but [ambitious] enough for certain possible activities.

#### **The Government Keeps Silent**

The Swedish government says that it supports the concept of joint security as a guideline for a future peace plan, firstly in Europe; in fact, the concept that no state

can seek security at the expense of another state; moreover, that in this nuclear age everything must be done to replace military efforts with political security. But the government is remarkably quiet when it comes to define the content of the concept and taking initiative for practical measures to implement them. Such initiative should, among other things, be able to be directed to the possibilities of making the military preparations on both sides more defensive in nature (doctrines, armament, military camps, etc.) in order to reduce the fear of surprise attack. It can also refer to a discussion, which raises a question, of the now obviously outdated threat pictures which are the basis for the continued armament. It would be no loss if a portion of the energy we now devote to the global nuclear armament, in which our importance is still almost negligible, could instead be directed toward more manageable and, for our immediate security, more significant tasks of this nature.

### The Explosion War

Moreover, it should be considered whether Sweden, in order to guarantee peace, is able to play a role on a more general level in reducing the risk of the potential explosive situation in East Europe. It cannot be a secret to Gorbachev that in the West these risks are viewed seriously by all. The KGB must be of some use to him. As he obviously does not want war, he must himself in all likelihood think about ways to affect the basic reasons for the risks, namely, the people's dissatisfaction, not to mention despair, over the regimes forced upon them. He receives reminders daily. The governments in East Europe which are used to obeying signals from Moscow, each in their own way, are definitely trying to apply perestroika and glasnost, but they constantly risk being overtaken and toppled by their own people who—the irony of history!—chant “Gorbachev! Gorbachev!” in order to give emphasis to their demand for reform.

The fact is that the development in East Europe contains clear risks for the security of the Soviet Union. It must be a priority interest for Gorbachev to obtain some sort of control over the development without having to threaten or resort to military intervention.

His objective is probably to create a new form of relationship between the Soviet Union and Eastern Europe which is characterized by stability and long-term planning, conditions that satisfy the Soviet Union's legitimate and economic interest, and at the same time corresponds to the demand of the people of East Europe for equal rights of self-determination and inner freedom. One indication that such thinking is in fact embraced by the Soviet leadership came to light when the spokesman for foreign policy of the Communist Party, A. Dobrynin, gave a highly interesting speech (an event completely ignored by the Swedish media) in Prague this spring. Dobrynin encouraged the communist brothers directly to cooperate with the Social Democrats in Europe.

If this is Gorbachev's reasoning, of which there are many signs, he can expect sympathetic opinion in the East European countries.

### Sweden's Role

Does Sweden have anything to do with such a development? Yes, to the highest degree; namely because Sweden, just like Finland, is in many quarters in East Europe viewed as something of a model, an alternative, both when it comes to our careful, realistic security policy and at least certain features of our mixed economy and social policy. This is not a situation that Sweden aimed at and strives for. Nor, obviously, is it a situation that is comfortable for us. In Moscow, we can be suspected of conceited meddling. In Washington, a totally misleading parallel can be drawn from the new type of relations with the Soviet Union, which the East European countries can hopefully obtain in the future, and Sweden's independent self-chosen foreign policy.

But the fact remains that many in East Europe dream about a position for their country that reminds of Sweden. We must learn to handle those expectations, perhaps also carefully encourage and, of course, in no way give reason for complaint about influence or meddling. We must, in any case, feel our way forward by making the dialog livelier both with the governments and national organizations in the East European countries.

If we think that there is an important role for Sweden—an understanding that is held with conviction by, among others, the judgmental American columnist William Pfaff—if we believe that people in the East and the West show understanding for that, we must consider that obviously this role can only be played if we remain non-allied in our foreign policy. Thereby, an argument is added to our own EC debate which previously has been completely bypassed, but obviously, it is worth thorough consideration.

### Submarines

In conclusion, a more natural course of action for Sweden is to intensify the contacts with our super-power neighbor. We could start an ongoing dialog on different levels which would not only involve submarines, trade, culture, environment and sea rescue, but also discuss important issues about the future of the security policy of Europe, and the capabilities of the different social systems to satisfy the innermost demand of the human mind. This, in reality, was what Olof Palme wanted to say in his speech at the Helsinki Conference in 1975.

This is hardly what it has been like. The submarines cut out the dialog for some time and the answers will not be



quick in coming until the violations have stopped (independent of which country is guilty). And it must be understood that we have access to active politicians and high officials who have at their disposal some of the insight and authority [necessary] and who are represented by men such as President Kovisto and Max Jacobsson in Finland.

Independent of this, as there is now reason to expect that the government and the political parties on the side will work on the issue of Sweden's relationship to EC, there is also reason to expect that an attempt should be made to think through the basic lines for a Swedish East Europe policy.

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## FRANCE

### **Military Reportedly Uneasy About Conventional Arms Reduction**

35190107c Paris L'EXPRESS in French  
12-18 Aug 88 p 18

[Article by D. de M.: "Mitterrand's Secret Letter"]

[Text]

French proposals for a reduction in conventional forces? Some officers are worried.

Military people are muttering: Not only is the defense budget bearing the brunt of the Rocard-Beregovoy "tightening of the lid," but as L'EXPRESS is in a position to reveal, Francois Mitterrand recently addressed a letter to the prime minister, Minister of Defense Jean-Pierre Chevenement, and Foreign Affairs Minister Roland Dumas directing them to draw up proposals without delay on a subject dear to Mikhail Gorbachev and considered ultra-sensitive by the top military leaders: conditions for a start to conventional disarmament in Europe. "France cannot be either passive or reactive," said Hubert Vedrine, the presidential spokesman.

The first clap of thunder came from the officers who were alarmed by the president's formal declaration (at a time of fiscal rigor, no budget is off limits) and who now say they are seeing their apprehensions confirmed. Armies are not safe from the budget ax. The cartoonist Plantu may have been rough-handed in his sketch on the front page of LE MONDE in 8 August, which depicted a grimacing Jean-Pierre Chevenement carrying a briefcase marked "Peanuts for Defense." But, if the objectives of the military appropriations bill, which the PS voted for, are broadly met, 8,000 to 10,000 jobs could become precarious because of the cut-back in operating funds. With that, there is some gnashing of teeth going on inside Chevenement's team. The prime minister's letter setting a "ceiling" might be only a "basis for negotiation."

But Francois Mitterrand's directives to the threesome of Rocard, Dumas and Chevenement have some officers even more concerned. Surely, the president can hardly be suspected of having "lowered his guard." Moreover, Vedrine spelled it out clearly. The proposals that France will make in the context of the negotiations to open in Vienna will have only one purpose: to create a "balance of forces" at a "low level," in place of the current high-level imbalance. However, several generals say they are only half reassured. They fear a return of the PC's influence. Like their chief of staff, they maintain that while there may be changes in the East, the "modernization of the conventional forces" of the Warsaw Pact has in no way ceased. Many prefer Andre Giraud's "nyet" to the principle of any dialogue with Moscow, an

attitude considered "passive and phobic" by the Elysee. France will not yield on the essential issues. France will simply talk—without inhibition.

When he took office rue St Dominique, Chevenement was seeing an old dream come true. Now, without becoming disillusioned, he understands that he will have a great deal of trouble being as popular in his new surroundings as he was at the Ministry of Education.

12413/9274

### **Review of Dassault Firm Activities, Reorganization, Orientation**

35190090 Paris LE NOUVEL ECONOMISTE in French 15 Jul 88 pp 28-34

[Article by Jean-Francois Jacquier, followed by interview with Dassault chairman Serge Dassault]

[Excerpts] In Bordeaux at the end of June, there was a celebration marking completion of the 1,000th business aircraft of the Falcon family. At the Luxeuil base in Haute-Saone on 12 July, with the president of the republic, Francois Mitterrand, in attendance, the first nuclear Mirage-2000's delivered to the Air Force were christened. The 14 July parade was given a thunderous opening by the entire panoply of Alpha Jets, Mirages, Jaguars, and a number of Super Etendards. The Rafale was hailed by the Navy as it made its landing tests on the deck of the aircraft carrier Foch. Dassault is back in honor again. Can it also find success again?

Treated as a fallen champion when it loses a "deal of the century" and showered with praise when it brings home an important contract—that seems to be the unpredictable fate of Europe's leader in military aeronautics.

### **More Throttle**

After its brilliant founder, Marcel Dassault, died in April 1986 at the age of 94, the firm lived in a state of permanent shock. First there was the departure of its loyal chairman, Benno-Claude Vallieres, after 52 years of service. Then there was the stormy and controversial accession of the son and heir, Serge Dassault, to the post of president-director general. And all against the background of a sudden reversal in the export market, with the result—unprecedented in the company's history—that 2,100 of the firm's 16,000 jobs were eliminated. Today, however, at management headquarters in Vaucresson (Hauts-de-Seine), hope is slowly reviving. At the controls for nearly 2 years, Serge Dassault—63 years old and a graduate of the Polytechnic School and the National Higher School of Aeronautics and Space Technology—is pulling the throttle and trying to start the company on its way up again. Will he succeed in straightening the control stick and avoiding the crash that some people have predicted for him? For the moment, at any rate, the Marcel Dassault Aircraft Company's new boss is making progress.

The first reason for satisfaction is provided by the official launching of the future combat aircraft, a derivative of the Rafale demonstrator, which is to enter service with the Air Force and Navy Air Force beginning in 1996. Just before the presidential election, Dassault succeeded in getting Jacques Chirac to order five prototypes and authorize credits for building the first—a start on what is to come. More unexpected were the firm's relatively good operating results for 1987, which were announced at the general stockholders' meeting on 16 June 1988. Since the terrible black year of 1986, which was strewn with resounding defeats, Dassault's situation on that front has undergone a very noticeable improvement. Orders have jumped by 52 percent from 8.8 billion to 13.5 billion francs. That last figure reflects the good start made by the Falcon 900, the "Rolls-Royce of the air," but it also includes in particular three contracts for the sale of fighter aircraft to foreign customers wishing to remain anonymous, one of which may be Iraq. Military export sales were up by 230 percent, as a matter of fact. It is true that they had fallen quite low. But that renewed strength was confirmed at the start of 1988 by the contract announced by Jordan. The Hashemite Kingdom's purchase of about 20 Mirage-2000's for some 5 billion francs, armament included, is especially significant because it could not have happened without support from Jordan's chief creditor, Saudi Arabia. It was Saudi Arabia which had inflicted a stinging setback on Dassault in 1985, thus marking the start of the latter's troubles. Just before signing for 46 Mirage-2000's, Riyadh had suddenly turned to Margaret Thatcher to acquire 72 twin-jet Tornados as part of a fabulous arms contract that has just been supplemented and increased to some 100 billion francs with an additional order covering Tornados, 60 training aircraft, 80 helicopters, minesweepers, and the construction of two bases, one for the Air Force and one for the Navy. Dassault, which does not produce a twin jet, was not really in the running for that deal. And experts feel that Saudi Arabia might now be promoting the purchase of French aircraft by the Gulf countries as a means of rebalancing sources.

As regards Latin America, which is another of the French aircraft manufacturer's zones of influence, Hugues de l'Estoile, vice president for international business and salesman number 1, announced that he had sold 7 Mirage-50's to the Venezuelans and obtained the contract for modernizing 11 more. He is also reportedly having discussions with a dozen countries, among them Kuwait, which is looking for about 40 fighter planes. The result is that De l'Estoile is able to proclaim: "We are out of the hole!"

A matter of excessive optimism? It is more likely a way of taking advantage of the current breathing space to regain the upper hand with customers who are always quick to press for lower prices—and "to demand additional reductions when business is bad." Analysts, union leaders, and equipment manufacturers are being more cautious and talking about "a sunny interval during 1988 and 1989."

### Only a Trickle

The stakes are many. The issue is not only the very existence of the name of Dassault in the 21st century but also France's ability to defend itself and, in the final analysis, its independence. Also at stake is the future of the company's 14,700 employees, a third of whom devote themselves to research and development, as well as that of the 80,000 people whose jobs with subcontractors or equipment suppliers depend on the aircraft manufacturer. Overall, the production of military aircraft generates a turnover of 30 billion francs in the country. Every Mirage-2000 that is sold (at about 140 million francs, excluding armament and spare parts) creates 1,000 industrial jobs per year. But times have changed. Dassault, which used to produce 300 civilian or military aircraft per year, now turns out only about 100.

"Produce fine aircraft to sell in France and, if possible, for export." Those are the words that Marcel Dassault used to hammer out in his nasal, Paris working-class voice. It was as though nothing else interested him. An outstanding engineer, talented draftsman, and accomplished organizer, he was also able to create a genuine political-military-industrial lobby around his passion for aeronautics. At the end of his life, he left behind an empire and one of France's largest fortunes.

Exactly 70 years after the flight by his first prototype—the SEA-4, a reconnaissance plane introduced in 1918—nothing seems to have changed. In the design offices of Marcel Dassault Aircraft-Breguet Aviation in Saint-Cloud, that passion remains intact. And as for France, it remains the essential customer without which no future would be possible. But in the face of increasingly fierce competition, French Mirages are finding it difficult to assert themselves. And France now purchases only a trickle—about 30 a year. At the source of that loss of punch is the shrinkage in the range of aircraft offered and the simultaneous cutbacks in military budgets.

### Clever Thrust

It was not easy to succeed Marcel Dassault. Paradoxically, the fact that he was kept out of the business for so long has been an asset for Serge Dassault, the new president-director general. At least he has not been intoxicated by 40 years of glory, and the result is that he can now take a cold look at the firm and its environment. What does he see? First of all, that the export market is far from having disappeared. He says that "5,000 aircraft will have to be replaced over the next 20 years" (see the interview at the end of this article). Dassault feels that he can capture 10 percent of that with the Mirage-2000, not to mention the future Rafale, which Bruno Revellin-Falcoz, vice president in charge of technical matters, estimates to have a sales potential amounting to about 1,000 aircraft. But the second and clearly more severe part of Serge Dassault's diagnosis is that this will be possible only if the firm is able to make radical changes



in its working methods—to undertake “a genuine cultural revolution,” in Serge Dassault’s own words. His plan of attack—not to call it his plan for survival—has three components: two emergency measures (restructuring and commercial redeployment), an attempt to diversify through the development of space activities, and lastly, perhaps, a clever thrust with the Rafale.

Very critical in private of the chaotic management that marked the end of the previous regime, Dassault first applied himself to cutting the fat from the overmanning that had been artificially maintained since 1983. He did so by having the firm gradually take back work previously done by subcontractors. It was a courageous decision to make in a firm where Marcel Dassault’s social policy had been pursued primarily with billfold in hand. But that is only the visible part of a more far-reaching restructuring. The plan also calls for closing four industrial sites, reorganizing the other nine by grouping together special departments which until now have been widely dispersed, and bringing robots into general use. The objective: to increase productivity by at least 5 percent per year. The fact is that in comparison with its competitors, Dassault has let itself be dragged down by cost drift. Back in the glory days, the Mirage-III was the world’s cheapest supersonic aircraft in the Mach-2 class, but now the price of the Mirage-2000 is about one-third higher than that of the U.S. F-16. That is one reason, among others that are more obscure, why the Swiss, although loyal customers, recently rejected the Mirage-2000 in favor of U.S. aircraft. Hence the pressing need for the French aircraft manufacturer to fight its way back by reducing its hourly costs and its production times. There are expenses that cannot be cut. Dassault pays as much in payroll taxes on its 15,000 employees as British Aerospace in Great Britain does on 75,000. The other sizable difficulty in this battle to reduce costs lies in monitoring suppliers and equipment manufacturers. Over 1,500 firms do work for the Mirage-2000, and the aircraft manufacturer’s share accounts for only 30 percent of the total value of the aircraft. The only solution is to improve the final integration of systems, particularly weapons, into the airframe, and that translates into a huge investment in gray matter. There are 250 engineers permanently employed in that area, and last year Dassault hired 350 more. Since personnel cutbacks also require a large outlay of funds, the whole thing ends up drastically reducing operating results. In 1987, those results reflected a further drop of 43 percent to 192 million francs—after the disbursement, it is true, of 70 million francs in profit sharing to the personnel. “But this effort is the price of our investment in the future,” says Charles Edelstenne, vice president in charge of economic and financial matters.

Revisions of strategy are just as heartrending on the commercial level. Gone is the fine arrogance displayed by salesmen back in the days when customers came begging them for deliveries. The diplomatic-military environment no longer works in Dassault’s favor. The foreign boom enjoyed by Mirages rested largely on the

policy of independence from the United States and the Soviet Union that had been initiated by General De Gaulle. It can even be said that in the general’s day, Dassault’s fighter plane was the favorite instrument of French diplomacy. Was South Africa outlawed by the West? Then we would sell it Mirages, just as we would also sell them to the Greek colonels and to Franco’s Spain. And to India and Pakistan, Israel, and al-Qadhafi, the young Libyan Colonel. Those days are gone for good. This is a time of disarmament and detente between the two superpowers. But only between them, because in the export markets, the new situation will lead inevitably, as it always does in such circumstances, to renewed aggressiveness on their part. The Americans are already going to great lengths to thwart any aircraft project that would run counter to their interests. After killing the Israeli Lavi program and muzzling the Japanese MSX, they are trying to entice the Europeans with new and modernized versions of the F-16 and F-18. And the influence of the Soviets is beginning to be felt in countries where it had never manifested itself before. “Someday you will see them selling MiG’s to Saudi Arabia and Peru,” predicts De l’Estoile. To them and our eternal competitors the British, we must add the newcomers in the competition: the Swedes, Israelis, and Italians, and tomorrow the Brazilians, Indonesians, Chinese, and Argentines. Such is the new international deal. How can Dassault react? First, by strengthening its after-sales service. Five or six new people have recently been hired to support the original team of about 10 people. One of them is Eric Desmarest, 46, a diplomat from the Ministry of Foreign Affairs who specializes in Africa and the Middle East. He will assist De l’Estoile. Others include an expert on industrial compensation who came from the Suez firm and an expert on weapon systems who moved over from Thomson. That will plug the gaps.

Nacelle: As far as the rest of it is concerned, the commercial tactic is centered on three objectives: redeployment of the range of products, geographic redeployment, and technical redeployment.

First the range of products. Since it is unable to promote more new aircraft at one time, Dassault has decided to fill its catalog by reintroducing certain products such as the Mirage-F1, the Super Etendard, the Alpha Jet, and even the old Mirage-III in modernized form. The idea is less preposterous than it seems. An airframe—the nacelle—can last 30 years. It is the equipment which becomes obsolete. And since the start of the 1980’s, fantastic progress in the field of military electronics has altered cockpits drastically. A modern fighter plane’s performance level is judged primarily by the effectiveness of its weapon systems and its countermeasure systems. Once modernized in that respect, a Mirage-III becomes formidable. The same principle applies to the Mirage-2000. Although in service only 4 years, some of its equipment, designed in the 1970’s, already seems unsuitable. That is one reason for its hesitant start in the export market. Those drawbacks caused it great difficulties with Abu Dhabi, which refused to accept delivery of

18 aircraft on the grounds that their systems did not meet requirements. Dassault has learned from that experience and is preparing to bring out a new export version that should "be a sensation," according to the manufacturer. De l'Estoile feels that thanks to the same formula, he has a potential market for 300 additional Alpha Jets, the production lines for which are currently shut down.

Then there is geographic redeployment. Since there are no longer enough traditional customers, other markets must be found. Over the past 2 years, a tremendous canvassing effort has been made in the Far East (Indonesia, Thailand, Brunei, and Singapore), a rich and fast-expanding region which Dassault, alone in its category, has neglected completely until now. "This is a 10-year job," says De l'Estoile.

Last, there is technical redeployment. Many countries in the process of industrialization are seeking to develop their aeronautics industries and produce their own light fighter planes. They are looking for partners who can provide them with know-how. Relying on the reputation of its design offices, Dassault wants to help them by offering them a kind of engineering service. "In exchange, we are asking for export rights," say company officials. Such an agreement has reportedly already been signed with India. Others are being negotiated with Indonesia, Yugoslavia, and Brazil. "It is a new doctrine that is difficult to put into concrete form, but it will help preserve or increase our share of the market," say sources at Dassault. For their part, the unions are sounding warnings, because they see it more as a means of moving some aspects of production elsewhere.

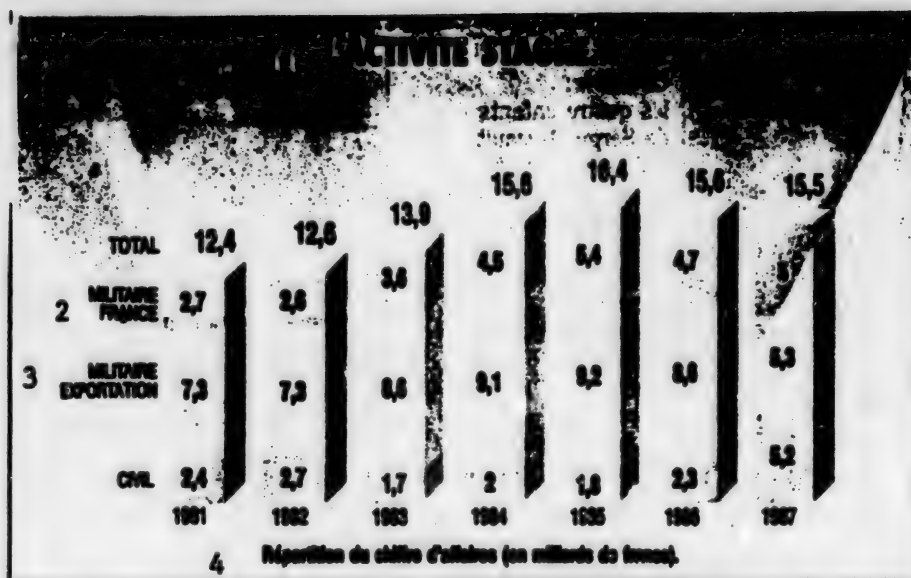
#### Embryo

Another component of the plan of attack is diversification. The firm, which depends too heavily on the military, is looking for new sources of income for the future. The manufacture of Falcon business aircraft (averaging 20 percent of turnover) is one such source. In this sector, despite a stagnant market, Dassault's aircraft are doing well. Over 70 percent are exported to the American continent. But the likelihood of market expansion is slim. The firm recently made an effort to move up a rung by investigating the possibility of cooperating with Aerospatiale [National Industrial Aerospace Company] on Airbus programs, but the costs are still too high, and it feels that the prospects for a financial return are still too remote. Space, on the other hand, is a promising field into which Dassault ventured at the end of 1985. It entered through the main door, considering that the CNES [National Space Studies Center] made it, along with Aerospatiale, the prime contractor for Hermes. The firm is in charge of aerodynamics, reentry problems, structural design, and the supplying of thermal protection. In all, it has direct responsibility for 12 percent of the space plane's total budget, which is estimated at 30 billion francs. Obviously, that does not yet count for much in the company's total turnover: only 90 million francs out of a total of 15.5 billion francs. But around

that embryo, Dassault is developing an entire department to exploit the market for the extravehicular systems that will be needed by space workers in the future. Also in the works is the Star, a futuristic project for a hypersonic aerospace vehicle.

That leaves the deal of the century: the clever thrust without which there will be no future—the Rafale. Following a great deal of hemming and hawing, that program has now been officially launched. Serge Dassault is convinced that this is the program in a million. It involves a 9-ton multipurpose twin jet driven by two M-88 jets produced by SNECMA [National Aircraft Engine Design and Manufacturing Company], and it will be equipped with the very best in radars from Thomson or Serge Dassault Electronics, with the choice to be made this fall. A stealth aircraft—that is, invisible to radar—it will use a maximum of composite materials and will be "the most advanced aircraft in its category, with no rivals," says Serge Dassault.

All the same, a lot of questions are continuing to hover over the program, whose development and industrialization cost is estimated at 35 billion francs. France, which needs a fleet of some 330 aircraft, will have to pay out an additional amount of from 80 billion to 100 billion francs to acquire the aircraft. Can it afford it? The unit price ranges from 150 million to 300 million francs, depending on the equipment selected and on whether investments, logistics, the value-added tax, and so on are to be recovered. Advisers to Giraud in the Ministry of Defense estimated at one time that future Armed Forces budgets would make it impossible to order more than 17 per year at best (compared to the 35 Mirage-2000's currently being bought every year). That is not enough to keep the program going. All the more since, according to the experts, the export market is probably not as wonderful as the manufacturer says it is. They say the Rafale can never be produced in the same quantity as its European rival, the EFA, which has a captive market for 800 aircraft right from the start in the British, West German, Italian, and Spanish Armed Forces. In other words, because of its stubbornness, Dassault may have made a serious strategic mistake in refusing to cooperate at a time when cooperation is in the air all over the world: the Americans among themselves, the Europeans without Dassault, the Italians with the Brazilians, and so on. Serge Dassault continues, however, to turn a deaf ear to all that. He likes to say over and over in public: "If we can find partners, all the better; if not, it makes no difference." A diversionary tactic? Actually, he is more active than anyone in trying to persuade possible partners, and particularly Spain, which has not yet signed a commitment to the EFA and is still interested in the Rafale. But the surprise may come from the north. Last month, Serge Dassault made some amazing offers to Belgium. In return for paying 10 percent of the development and industrialization costs, Belgium would be allowed to build about 100 aircraft and benefit from a complete transfer of technology. That is a revolutionary



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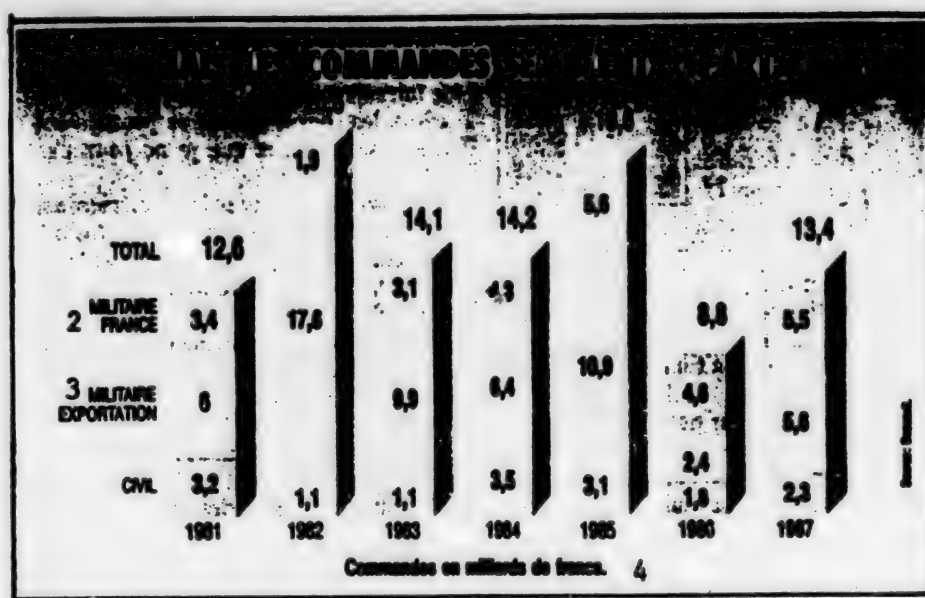


LE NOUVEL ECONOMISTE N° 652-15/7/88

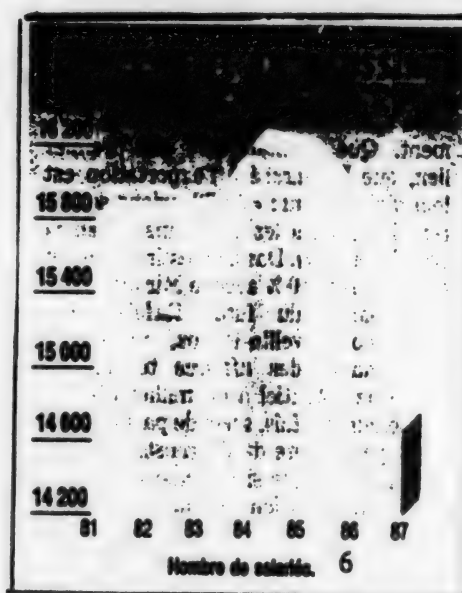
Key:

1. Business is stagnating
2. Domestic military sales
3. Military exports
4. Sales figures in billions of francs
5. Profits are diminishing
6. Net profits in millions of francs





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LE NOUVEL ECONOMISTE N° 862-15/7/88

**Key:**

1. But orders appear to be picking up
2. Domestic military sales
3. Military exports
4. Orders in billions of francs
5. And the work force as well
6. Number of employees

move for Dassault and should be tempting to the Belgians, who in fact are experiencing difficulties with the compensations promised by the Americans in return for the purchase of F-16's in 1975. A favorable response by Belgium might lead to participation by Norway, Denmark, and the Netherlands—that is, all the former partners in the "deal of the century" with whom Dassault is also engaged in talks. It is a fantastic gamble, and its outcome could be known as early as this summer or by yearend at the latest. The fact is that what is at stake behind this possible industrial partnership, on which Spain seems to be delaying a decision, is replacement of the 348 F-16's acquired as part of the deal of the century. If Dassault and France win this round, the blow suffered by the EFA, which is grappling with technical and financial difficulties, would be terrible and perhaps even irreparable. It would be a fine revenge offered to Marcel Dassault posthumously by his son.

#### Interview With Serge Dassault

[Question] Is the crisis in the military market really the only reason for the drop in the sale of Mirages for export?

[Answer] There is no crisis, because the export market for fighter aircraft is very large, but export sales have always been cyclical, and we have more trouble getting through the slack periods than our American competitors, whose domestic market is huge. But 5,000 fighter aircraft will have to be replaced around the world over the next 20 years. We estimate that we can get at least 10 percent of that total—a minimum of 500 aircraft—with our Mirage-2000's.

[Question] Is it not true, however, that Dassault products have become too expensive?

[Answer] Our aircraft have not become too expensive, but they are more expensive than their competitors because of the value of the dollar, which is the reference currency used in establishing prices. With a dollar worth 8 francs, we would be on an equal footing. But we still have other advantages. For example, France does not impose specific restrictions on the export of weapons for use on its fighter aircraft. The United States does, and the users do not like that.

[Question] But considering its cutbacks in personnel, the closing of plants, and appeals for cooperation with new countries, your firm is nevertheless being forced to revise its strategy, is it not?

[Answer] Certain adaptations could have been implemented sooner. The plant in Istres, which was designed to produce Mercuries, should have been closed long ago. Production of the Falcon business aircraft and the company's engineering activities were scattered all over the place to provide work for all the plants, and that was expensive. Today, in order to get ahead of the competition, it is essential to reduce our costs and increase our productivity by about 5 percent per year. Above all, we

must adapt our activities to the new demands of the market—that is, cooperation and the production of aircraft or aircraft components in our customers' countries.

[Question] Have you changed the management team's methods?

[Answer] I still work with the same team, but in a different way. Through discussion, participation, and information, I am constantly looking for consensus. The decisions that are made must be reached with the agreement of all. This is what I call participative management. To improve quality and reduce costs, it is important above all else to motivate the personnel.

[Question] Will you be able, as the state is asking, to finance Dassault's 25-percent share in development of the Rafale at a time when your profits are declining?

[Answer] We made a profit of 261 million francs, including 70 million for the personnel, in 1987. That is not an insignificant amount. The problem may arise in 1990. In 1988 and 1989, we will be able to handle that expense, which the government has asked of us in order to get the program going more quickly with all our partners.

[Question] Do you still hope to make the Rafale a European aircraft by attracting foreign partners?

[Answer] Talks are underway, notably with Belgium, to which we have just made some interesting proposals. Talks are also continuing with other countries whose names I cannot mention.

[Question] Is cooperation with the Americans, which former Defense Minister Andre Giraud would have liked, conceivable in the current context?

[Answer] Not if it involves the F-18, which the Americans wanted to sell in Europe, but there are possibilities for cooperation which are being studied by us in cooperation with several American companies: technical cooperation in both directions, shared production, and information on equipment and armament.

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#### NETHERLANDS

**Profile of New Defense Minister Bolkenstein**  
36200006 Frankfurt/Main FRANKFURTER  
ALLGEMEINE ZEITUNG in German 30 Sep 88 p 12

[Article by Ernst Levy: "Cautious Beginning"]

[Text] The new Dutch defense minister Frits Bolkenstein commented on his appointment in a restrained way. After he was sworn, in he stated that he had not pressed for this ministerial job and did not "look upon it as a promotion." This sounds different from the case of his

predecessor, Wim van Eekelen, who resigned because of the passport affair, and who saw the job of defense minister as the fulfillment of a dream of his youth. Bolkenstein also said that it would be all right if he would have to return to his parliamentary seat in 2 years after the parliamentary election. He neither asked for nor received guarantees for the ministerial job, he said.

From such statements one might conclude that the new defense minister was planning to get to work without a lot of self-confidence or marked ambition, if the minister were not Bolkenstein. The 55-year-old liberal of the "people's Party for Freedom and Democracy" (VVD) has, in fact, several times demonstrated a strong image and determination in the course of his still relatively brief political career. He is regarded as an advocate of a hard line in the NATO alliance.

The reasons for Bolkenstein's restraint are more likely to be found in the circumstances of his assumption of office and the past events. According to rumors which refuse to die, the vice-chairman of the VVD caucus was the "second" or even "third" choice. In view of the half legislature period remaining, some people presumably were not tempted into being a minister "for the time being." Bolkenstein also had to deal immediately with sarcastic comments: it was said that it was precisely Bolkenstein who in April issued the new doctrine of honesty in politics and ministerial responsibility, things which help lead to Van Eekelen's resignation, and the same Bolkenstein profited first from the new "doctrine" by taking over his ministry. In addition, Bolkenstein's involvement in the revolt against the then VVD parliamentary leader Nijpels in 1986 also probably caused Bolkenstein to begin prudently.

Bolkenstein, a native of Amsterdam, has good credentials for the tasks before him. His interest in international affairs goes back to his student days, during which he had a long stay in America. After finishing his studies of law and philosophy at the University of Leiden, Bolkenstein worked for the Shell company for 17 years at various managerial positions. Good managerial qualities are not needed at the defense ministry in The Hague, where the procurement of arms materiel has been in a bad way for a rather long time. In 1977, Bolkenstein began his political career as a VVD member of the Second Chamber. In Lubbers's first cabinet he was responsible for foreign trade as a state secretary in the ministry of economics. In the summer of 1986 he became the deputy chief of his party's parliamentary group at the same time he dealt there with economic, finance and defense issues and was the spokesman on foreign trade. Bolkenstein is regarded as a convinced Atlanticist; he is member of important security policy groups. It is not expected that there will be conspicuous changes from the line of his predecessor.

## NORWAY

**Increased Satellite Observation of Kola Peninsula**  
36390001a Oslo AFTENPOSTEN in Norwegian  
1 Sep 88 p 18

[Article by Kjell Dragnes; first paragraph is AFTENPOSTEN introduction]

[Text] The Norwegian project involving satellite surveillance and study of the Kola peninsula, which revealed a large-scale Soviet military buildup, will now be continued and expanded in close cooperation with Japanese and American researchers.

The report by researchers Tomas Ries and Johnny Skorve, published 2 years ago, aroused great interest at the Tokai research center in Japan where they have many years of experience in interpreting satellite data and powerful computers that simplify interpretation.

Like the Norwegian researchers, the Japanese center uses pictures from the American Landsat and the French Spot satellites. The Japanese also use data from a 2-year-old Japanese satellite.

"It has become more important than ever to gather information and disseminate it so that peace can be strengthened," Professor T. Sakata, director of the research center, told AFTENPOSTEN. "Pictures from civilian satellites can be used to supervise the military and civilian activities that are being carried out in various countries. This applies not only to the Soviet and U.S. superpowers but perhaps even more to major countries that do not accept on-site inspection, such as France," he said.

The Japanese would also be interested in making use of the Norwegian experiences to supervise Soviet military activity in the Far East. In addition to Kola the other big Soviet base complex is located near Japan with the Petropavlovsk base as the biggest facility.

The Kola project would also like to make use of Tokai's vast resources and in addition to studying military facilities alone, Ries and Skorve will also use satellite information to find sources of pollution on the Kola peninsula, Skorve told AFTENPOSTEN.

Not all countries are equally happy about this activity. The Soviet organization Soyuskarta is on the market with good satellite pictures, but at a conference in Kiruna, the director of Soyuskarta said that pictures of Soviet or East European territory will not be sold to western researchers.

The Tokai center has not always been able to obtain western pictures of American areas or of facilities in other countries. There are different explanations, but



pressure from the authorities in the countries involved on organizations that sell Landsat and Spot pictures can be one reason, according to Professor Sakata.

Developments in weapons technology, with several countries having the capability to produce missiles and nuclear weapons, make civilian surveillance more important than ever, he said.

06578

**Armed Forces Chief Orders New Defense Study**  
*36390001c Oslo AFTENPOSTEN in Norwegian*  
*10 Sep 88 p 13*

[Article by Liv Hegna; first paragraph is AFTENPOSTEN introduction]

[Text] A new defense study will be made. General Vigleik Eide, chief of the Armed Forces, has made that decision. So far Colonel Ola Aabakken, who will lead the work, has not been given any deadline.

Aabakken told AFTENPOSTEN that it is natural to look at the concrete needs of the Armed Forces, while at the same time placing defense developments within a reasonable economic framework. At this point he could not confirm that the new defense study will be cut to the same pattern as the 1985 defense study, which was prepared at the request of General Fredrik Bull-Hansen, former chief of the Armed Forces. The 1985 study reached the conclusion that an increase of 7 percent in defense spending was necessary. Today the political signals indicate a growth of 2 percent.

**Pressed for Time?**

Preparations have already been made for major reductions in the various defense branches in compliance with the signals that were given in Storting Report 54 ("Long-Range Plan for Defense Activity in the Next 5-Year Period"). Press spokesman Gullow Gjeseth of the Armed Forces High Command told AFTENPOSTEN that the three defense branches have started to work on a survey of the consequences of the long-range plan.

This will probably mean eliminating units. Orders have been given to cut 1,300 positions. The defense branches are already hard-pressed on the personnel side, he said.

Against the background of the new political signals concerning reductions, it is natural to ask if the Armed Forces are pressed for time with regard to the new defense study. Gjeseth answered: "When the Storting approves the long-range plan it will be the principal document guiding the Armed Forces."

**Wasted Effort?**

It is generally accepted that it is the Army's turn for new investments now that the Air Force has been given its planes and the Navy its submarines. But the economic limits have already spiked the most progressive plans. As recently as a few years ago, the Army leadership hoped it would be possible to modernize equipment in all 13 brigades. These plans have now been shelved.

One can assume that the same thing will happen to the groundwork Major Generals Olav Breidlid and Bjorn Frantzen completed recently. They were asked to evaluate land defense in southern Norway based on the assumption of 3 percent growth in the defense budget. The document has been sent out for review but outsiders regard the results as largely irrelevant because the entire economic framework has changed.

However, Colonel Ola Aabakken told AFTENPOSTEN that all the work that has been carried out on the general staff level will be included in the evaluation when the new defense study begins to take shape.

06578

**Defense Minister Denies Plans to Alter Policies**  
*36390001b Oslo AFTENPOSTEN in Norwegian*  
*24 Aug 88 p 2*

[Guest commentary by Defense Minister Johan Jorgen Holst; first paragraph is AFTENPOSTEN introduction]

[Text] Defense cannot be excused from the demand for economic austerity if broad support for our defense policy is to be preserved. But defense capability must be strengthened through real budget growth and increased productivity. This does not involve any change of course, as some people claim, according to the author of this article.

Storting Report No 54 (1987-88) draws up the guidelines for defense development in 1989-93. It assumes an average real budget growth of 2 percent per year through the period. The report indicates a strong emphasis on defense in an economic situation that calls for austerity and retrenchment in all areas. Growth will be stronger than in the United States, Great Britain, West Germany and Sweden, to mention some important examples. This is a comparison, not an argument for the government's proposal. But comparisons with countries like these show that the Storting report contains a strong message.

Our ability to maintain a strong and credible defense depends on a strong and healthy economy. The government's strategy to ensure such an economy calls for reduced spending. Defense cannot be excused from the requirement for austerity if we are to preserve broad support for our defense policy. Growth will be lower than it has been in recent years, but a substantial increase

in budget funds is assumed, 5.6 billion kroner over the 5-year period. This does not involve a change of course, as some people have claimed.

#### Better Distribution

Defense capability will be strengthened with real budget increases as well as increased productivity. It is assumed that productivity will be enhanced sufficiently to increase defense capability at least as much as if budget increases had been set at 3 percent. Productivity is not the same as cuts. Increased productivity assumes better distribution of resources. This redistribution will strengthen some high-priority activities with more money and personnel while other low-priority activities are phased out. We will not make small cuts across the board but carry out a real assessment of where the needs are greatest. This assessment must be based on the tasks assigned to the military.

There will always be room for improvements in such a big and complex organization as the Armed Forces. Those who claim that increasing defense productivity by 1-2 percent is unrealistic either assume that the military is so much better than all other public operations that no improvements can be made or that the defense organization is so difficult to change that the task is impossible. I disagree with both assumptions.

#### Security

The Storting report gives an extensive explanation of the context and development of the security policy situation confronting Norway. It points to promising features while at the same time stressing the continued military conditions that make a good defense system necessary. It expressly warns against harvesting the fruits of detente before they are ripe. We must have an open mind with regard to the important and promising changes that are occurring in East-West relations. At the same time we must guard ourselves against backsliding and the continued military threat. This is a difficult balancing act that makes big demands on the democratic countries.

The Storting report places special emphasis on security policy developments in Europe and how they affect Norway's situation. This is a central theme that deserves attention and discussion.

The report also discusses the main military developments that determine the challenges to our defenses. It outlines possible scenarios that could jeopardize Norwegian security. Not enough attention has been paid to these matters and they have not been discussed adequately. The Armed Forces must be shaped on the basis of such potential situations and resource limits.

#### Sizable Investment

The Norwegian investment is sizable when we view it in relation to the division of roles, responsibilities and burdens among the western democracies. Only the United States is ahead of Norway when it comes to defense spending per inhabitant. We are about average if spending is regarded in relation to gross national product, but the assumption is that the defense budget will increase more than the gross national product. Norway is number one when it comes to national development aid. This is also a contribution to peace and security. Norway is one of the countries bearing the heaviest burden in the UN peacekeeping activity.

We must also take our concept of total defense into account. The costs of total defense are divided up among the different ministries. It is estimated that the planned civilian contribution to defense in an emergency would have a value of 84 billion kroner. Norway can mobilize 7.7 percent of the population, more than five times the figure for the United States. Special subsidy measures that ensure settlement in northern Norway, among other things, also have great security policy importance for the alliance as a whole. The estimated subsidies amount to between 2.5 and 3 billion kroner a year. Our allies have indicated that they value the Norwegian contribution. We should be able to esteem our international contribution at home as well.

06578

#### Officers' Group Critical of Defense Ministry, Politicians

36390001d Oslo AFTENPOSTEN in Norwegian  
24 Aug 88 p 5

[Article by Liv Hegna]

[Text] Increased productivity and efficiency combined with drastic personnel reductions represent political wishful thinking. The Norwegian Officers' Union [NOF], an affiliate of the Federation of Trade Unions [LO], will confront Defense Minister Johan Jorgen Holst with that view. The long-range plan heralded moves of this kind and NOF's leader, Jan Braten, told AFTENPOSTEN that the union will ask Holst how such conflicting objectives can possibly be met.

The officers' union is currently holding a leadership conference in Hamar. Braten told AFTENPOSTEN that the organization is now beginning to talk about the realities instead of simply making fine statements when it comes to the activities of the Armed Forces.

#### Leadership

Another point of special concern to NOF is better leadership training for officers.

"Those who serve with platoons and have daily contact with the men do not have a good enough background in leadership when they come out of officers' training schools," he said. NOF thinks it is time the Army follows the lead of the other defense branches when it comes to implementing the new training system that has been approved. Braten agrees with the NOF view that the military academy in Oslo should be shut down and training at the military academy in Kristiansand should be improved. The academy at Linderud in Oslo provides a different kind of education than the other defense branches and the military academy at Gimle in Kristiansand offer.

Jan Braten feels that service training in the Armed Forces is not good enough: Army officers are thrown out on the job without adequate training and at too high a level with regard to their competence in relation to their training as officers.

06578

## SPAIN

### Poll Shows Majority Support for Conscientious Objector Position

35480002 Madrid DIARIO 16 in Spanish  
11 Sep 88 p 12

[First paragraph is DIARIO 16 introduction]

[Text] The majority of Spaniards favor allowing any citizen to refuse to perform military service for religious, ethical, or political reasons. Nevertheless, it is thought that conscientious objectors should perform substitute social service, although never of longer duration than the "mili." Popular Alliance [AP] voters are the ones who appear most opposed to acknowledging the right to conscientious objection.

Madrid—According to the results of a poll taken by Sigma-2 exclusively for D-16, most Spaniards favor conscientious objection, that is, refusal to perform military service for religious, ethical, or political reasons.

Similarly, another sizable majority of those polled, 46.4 percent, believe that the youth who declare themselves objectors should perform only 12 months of substitute social service, the very same duration as that of the "mili," and not 18 months, as stipulated by law. A total of 15.1 percent advocate double duration of that social service, while 25.1 percent think that objectors should not perform any type of service to substitute for the military type.

Conscientious objection has currently become a very high profile issue since the government's approval of the law regulating this legal expedient and because of the actions undertaken by the dissenting movements which have initiated intensive campaigns against this law.

These movements not only reject the time difference established between substitute social service and the "mili" (18 months for the former and 12 for the latter), but also refuse to perform this service, accepting the possibility of their members going to jail.

Sex and Age Moreover, the majority of Spaniards are in favor of allowing a young person to claim conscientious objection even after having been incorporated into the ranks, a situation that the recently approved legislation on this subject does not permit. According to the results obtained by Sigma-2, 51.8 percent of Spaniards favor the right to conscientious objection, while 37.4 percent do not. These differences between yes and no are greater depending on the sex, age, or ideological convictions of the person polled. The youth considered leftist are overwhelmingly in favor of conscientious objection; a percentage that declines if those queried declare themselves Popular Alliance voters. Concretely, those polled who declared themselves from this rightist party, in the majority, appeared opposed to conscientious objection, by 57.4 percent, as opposed to 35.6 percent who gave it a yes. Nevertheless, the PSOE [Spanish Socialist Workers Party] voters, by 58.7 percent, those of the Social Democratic Center (CDS), by 57.4 percent, those from United Left [IU], by 72.6 percent; and those from Catalanian Convergence and Unity [CiU], by 68.7 percent, unequivocally voiced approval of that right contained in the Constitution. Men and women maintain a similar position regarding the acknowledgment of objection, by 52.5 and 51.1 percent, respectively; although there is a greater tendency among the male sex to express opposition to it, by 39.5 percent, compared with 35.3 percent among females. The youngest persons polled are those most in favor of conscientious objection. Persons between 18 and 29 years of age account for a percentage of 71.2, a figure that declines when the group consulted is older.

Aged Opposed In the age bracket between 45 and 60, there are 45.5 percent saying no, compared with 43 percent saying yes. That difference increases in the group aged 65, in which the attitude is clearly opposed to objection.

AP voters are also those who least vote for equal duration for objectors' social service and military service, in comparison with PSOE, CDS, IU, and CiU voters. While the first shows a percentage of 38.4 in favor of that proposal, the rest of those polled number between 51 and 58 percent.

United Left and Convergence and Unity, by 76.3 and 74 percent respectively, are the ones who most favor allowing any youth to claim objection when he is already performing military service. That percentage is similar when those polled are between 18 and 29 years old.



Table 1

Do you favor conscientious objection (not performing military service for religious, ethical, or political reasons)?

	Total	Sex		Age				Recollection of Vote for European Parliament				
		Male (%)	Female (%)	18-29 Years (%)	30-44 Years (%)	45-65 Years (%)	+65 Years (%)	PSOE	AP	CDS	IU	Ciu
Yes	51.8	52.5	51.1	72.1	56.9	42.3	28.4	58.7	35.6	57.4	72.6	68.7
No	37.4	39.5	35.3	21.7	32.9	47.4	50.8	33.0	57.4	33.3	23.5	24.2
Don't know/ no answer	10.9	8.0	13.6	6.2	10.2	10.3	20.8	8.3	7.0	9.3	3.9	7.2

Table 2

Do you favor requiring youths who have declared themselves conscientious objectors to perform civilian service substituting for military service?

	Total	Sex		Age				Recollection of Vote for European Parliament				
		Male (%)	Female (%)	18-29 years (%)	30-44 years (%)	45-64 years (%)	+65 years (%)	PSOE	AP	CDS	IU	CiU
Yes, of same duration as military service	46.4	44.2	48.6	48.1	52.0	47.3	32.7	53.1	38.4	53.7	57.9	51.9
Yes, of double military service duration	15.1	16.9	13.4	8.1	14.4	19.4	19.3	14.6	32.5	19.9	7.3	6.7
No	25.1	28.0	22.3	37.7	22.1	18.8	21.8	21.9	16.0	12.4	34.9	34.2
Don't know/no answer	13.4	10.9	15.7	6.1	11.4	14.5	26.2	10.4	13.0	14.0	0.0	7.2

Table 3

Do you agree that a youth should be able to exercise the right of conscientious objection while rendering military service?

	Total	Sex		Age				Recollection of Vote for European Parliament				
		Male (%)	Female (%)	18-29 years (%)	30-44 years (%)	45-65 years (%)	+65 years (%)	PSOE	AP	CDS	IU	CiU
Yes	54.3	53.9	54.8	71.2	63.7	43.0	33.1	55.3	36.7	54.7	76.3	74.0
No	33.9	37.3	30.6	20.7	25.5	45.6	46.9	34.8	55.6	29.3	19.9	18.8
Don't know/ no answer	11.8	8.8	14.6	8.1	10.8	11.8	20.0	9.9	7.7	16.0	3.9	7.2

#### Technical Data

Universe: persons over age 18; scope: Spain; sample: 800 interviews, with a possible error of plus or minus 3.5 percent for a confidence level of 95.5 percent (Sigma two) and  $p/q = 50/50$ ; selection: random, based on system of quotas by sex, age, and occupation; interview: personal; date of field work: 8 September 1988; execution: Sigma Dos, S.A., member of the Spanish Opinion and Marketing Research Association (AEDIM); technical team: Jose Miguel de Elias, Jose Carlos Ariza, Jose Ma. Ochoa, and Luis Lopez Frascie; direction: Carlos Malo de Molina.

2909

#### SWEDEN

#### Armed Forces Commander's Proposed Cuts in Training Time

36500165b Stockholm DAGENS NYHETER in Swedish  
26 Aug 88 p 18

[Article by Anders Ohman]

[Text] Conscript training for privates in certain Army units will be reduced as early as next year by about 10 weeks—from 7.5 months to 5 months. The shorter period of basic training will be tried out for 1 year.

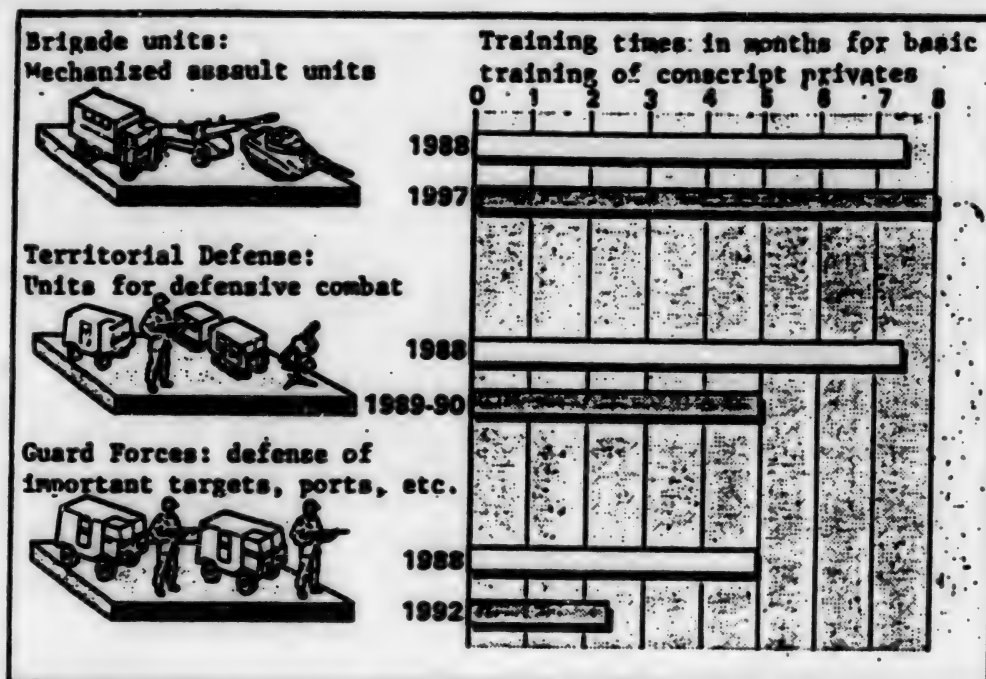


Illustration: BO PERSSON

#### This Is How the OB Wants To Change Conscript Training Times

The annual defense budget currently totals 30 billion kronor. That is not enough money, so conscript training will have to be altered. But by no means will all units be affected.

That is the purport of a proposal produced by OB [Supreme Commander of the Armed Forces] Bengt Gustafsson and Army Commander in Chief Erik G. Bengtsson. Differentiated conscript training will be one of the big questions of principle in FU-88, the Armed Forces report that the OB will submit to the government on 30 September.

The conscripts whose basic training time will be shortened by 10 weeks as early as next year under the terms of this proposal will be part of the territorial defense force, whose wartime organization under the Army's new organization plan will consist of either 120,000 or 175,000 men. After a trial period lasting until 1990, the 5-month period of basic training will remain in force until the 1997 defense decision is reached.

Conscript privates in brigade units will have their basic training period increased from 7.5 months to 8 months beginning in 1997. Brigade units consist of a number of mechanized brigades with high combat efficiency for assault missions. A brigade consists of six battalions and has a total of about 5,000 soldiers.

Soldiers in the guard forces will undergo the shortest basic training period (2.5 months). The wartime organization of the guard forces will comprise 100,000 soldiers.

In a DAGENS NYHETER interview earlier this summer, the OB warned that a radical change in the conscript system might be the result if the Armed Forces did not get more money over the next 20 years. Universal conscription as one of the corner stones of Swedish defense is in danger. But the OB said that the Armed Forces must not be allowed to fall into just any kind of shape merely to preserve universal conscription.

The current annual Armed Forces budget totals about 30 billion kronor, or just under 3 percent of Sweden's GNP. The Army spends about 9 billion kronor, and the Army commander in chief feels that the Army needs about another 1.5 billion kronor per year if it is to do its job under current conditions.

Minister of Defense Roine Carlsson has stated publicly in strong terms that no drastic cutbacks in conscription can be accepted. But he has not specified any minimum level as far as training times are concerned.

#### Freedom of Action

In a letter to every unit commander in the country, the OB and the Army commander in chief presented their joint views on important issues affecting the Army's future. It is clear that the two generals have agreed to plan things in such a way that there will be freedom of action with regard to an overall defense decision in 1992.

They want to keep an Army with about 20 brigades, about 175,000 men in the territorial defense force, and 100,000 men in the guard units. Pending that decision, a basic training period of not less than 5 months will be established.

"The consequences of not changing the Army's appropriations for another 20 years will be serious," say the OB and the Army commander in chief in their letter, and they warn that dissension may arise over how quantity and quality in the remaining Army should be balanced against each other in such a financial situation. This applies especially to the length of training times, the extent of mechanization in the units, and so on.

The military on the Army Staff, which is working energetically on FU-88, are very worried about the deadlock over conscript training that has arisen in the debate as a result of Minister of Defense Roine Carlsson's unequivocal stand.

Of the 19 billion kronor which the Army commander in chief feels he needs between now and the end of the century to equip the Army units with modern weapons, 17 billion kronor have been produced by the differentiation of conscript training. If conscript training times are not reduced for some troops and no more money for the Army is forthcoming, the Swedish soldier will have to fight a war with outmoded weapons.

DAGENS NYHETER was told by Lt Col Kim Akerman, the Army Staff's information officer: "Toward the end of the 1990's, several Swedish Army units will not be fit for combat. We cannot keep up with military developments in the rest of the world."

11798



## FRANCE

### **Profitable French Participation in Gulf Reconstruction Doubtful**

35190101a Paris LE NOUVEL ECONOMISTE in French 29 Jul 88 pp 14-15

[Article by Jean-Francois Polo: "Peacetime Contracts in the Gulf"; editor's lead-in reads "Reconstruction of the two countries may not mean profits for France."]

[Text] Iran's acceptance of a cease-fire in its 8-year-old conflict with Iraq touches off a new battle: one that will pit the industrialized states against each other in a contest to capture newly reviving markets.

France, however, may have a tough time cutting the mustard. Economic exchanges with Iraq are at a low ebb. Many of the French have scratched even before the race begins. Alstom no longer has any projects in the works, while Bouygues completed work on its last construction site, a highway interchange for Baghdad, a year ago. The "big contracts" in the BTP totaled only 2.6 billion French francs between 1983 and 1987, just over one-tenth what they were between 1979 and 1982. French exports of civil supplies fell from 6.2 billion French francs in 1985 to 2.2 billion in 1987. The latter consisted chiefly of electrical and mechanical equipment, except for a 15 percent share accounted for by agricultural and food products. This is far from what is needed to balance our purchases, which totaled 6 billion French francs in 1987, of which 98 percent went for oil. The situation is saved by our supplying military equipment to Iraq: the sum total of French weapons' exports greatly exceeds exports of civil supplies. The Iraqi army has 73 Mirage Dassaults. Moreover, Saddam Hussein's country was in the midst of negotiations with Paris for a new 8-billion-franc contract for bombs, munitions, low-altitude defense equipment, and, most important, 12 additional Mirage F1's (for 1.8 billion French francs). The latter are the prime weapon in raids attacking Iranian territory and enemy ships in the Gulf.

### **Land of Milk and Honey**

The prospect of easing tensions in the Gulf will of course radically change the particulars of the problem. Needs are immense. Bassora, the second-largest city in the country, must be entirely rebuilt. Many French companies that left Iraq say they are ready to return. One example is Irrifrance (350 million French francs in sales of irrigation equipment): after having worked extensively with Iraq, it has lately restricted itself to shipping spare parts. The company will soon be at the Baghdad commercial fair in hopes of snaring new markets. There is no chance, however, of a blind stampede in that direction. Alcatel, which is completing a contract for the installation of 420,000 telephone lines and 30 telephone exchanges, says it is prepared to work with Iraq again—provided it receives satisfactory financial guarantees.

This cautiousness is justified by the heavy constraints that still burden the Iraqi economy. Baghdad owes France a tidy sum: officially 24 billion French francs, and without doubt much more if the preferential arrangements for arms sales are figured in. Last March the French government made a new loan of 300 million French francs to Baghdad and agreed to stretch the reimbursement deadline for Iraq's 1988 debt, which is 2.3 billion French francs. Burned in the past, however, Coface will no longer guarantee any venture in Iraq. The country will not soon regain its "land of milk and honey" image among French exporters.

In reality, most of the action will be on the Iranian side. Despite the resumption, after an 11-month hiatus of diplomatic relations between Paris and Tehran, exchanges are practically at a standstill. In 1987, France bought 3.8 billion francs worth of merchandise from Iran, primarily crude oil (over 90 percent of the total) and a few pistachios and rugs. But the oil embargo against French companies has put the kibosh on exchanges. During the first 5 months of 1988, Paris imported only 169 million francs worth of Iranian products. Forty percent of these imports were agricultural and food products, 10 percent pharmaceutical and medical items, the remainder chemical products and electrical and mechanical supplies. French sales came to 1 billion French francs in 1987, the equivalent in current francs of one-third the amount sold when the Gulf conflict erupted.

### **Ayatollahs**

Although Peugeot no longer supplies Iran, Renault will again ship component parts for 8,000 R-5's to Tehran in 1988. The cars, for which the state corporation will be paid in advance, will be assembled in factories of the Iranian firm Saipa. French cattle are also highly sought after in ayatollah country. The Avesnes-sur-Helpe slaughterhouse (in the north), managed by the Vianor Company, shipped 300 young bulls a week to Iran between last January and April, and hopes to do the same when the summer holidays are over. The Champagne Viande Company (750 salaried employees and sales of 1.6 billion French francs), in Vitry-le-Francois in the Marne valley, has slaughtered 200 to 400 young bulls a week for the last 2 years, at 6,500 French francs a head, for shipment to Iran. "The animals' throats are slit according to the Halal rite, with their heads turned toward Mecca while a Muslim recites prayers," explains Mr Pascal Helliot, head of Champagne Viande's export department.

However, these are only current transactions, and there is no guarantee they will continue. There are no more than a few dozen French nationals left in Iran. "We have maintained our local delegation to carry out reconstruction work on the Tabriz thermal plant. But there are no French there," acknowledges Alstom. The real exchange flows have dried up—although unofficial channels exist. Goods officially exported by France to Turkey

or Dubai are in fact found for sale on the Iranian market. Not to mention the weapons companies such as Luchaire or the National Powders and Explosives Company, which until recently maintained shameless relations with the Iranian military.

Moreover, not all the disputes have yet been settled. Companies such as Spie-Batignolles and Framatome, hit by the Iranian decision to discontinue the ambitious nuclear program initiated under the Shah, particularly construction of the Koramchar plant, still do not know the official decision of the court of arbitration assigned to settle the quarrel, involving 5 billion French francs. Furthermore, auditing of accounts in the Eurodif dispute—the 11.5 billion French francs (including interest) that Iran lent France to finance the Tricastin nuclear plant—is also far from complete. France has accepted the principle of reimbursement. Four billion French francs have reportedly already been paid. Eurodif, however, is demanding several billion French francs in damages from Iran in compensation for its withdrawal.

A sign of the relative coldness that persists between the two countries is the absence of a commercial attache in the recently reopened French embassy in Tehran. And the Foreign Economic Relations Administration (Dree) has no plans to soon reestablish its Tehran branch, which once boasted as many as 30 members.

The 15-member Iranian mission (including representatives of the central bank Markazi and the National Iranian Oil Company) that visited France at the beginning of the month were quick to emphasize the country's needs in all sectors, starting with agriculture. The Iranians even proposed selling 3 billion French francs worth of crude oil to France, 70 percent payable in meat, cereals, and fertilizer. Companies are interested in this cheap oil, well-suited to French refineries. And the Iranians have a pressing need for refined products. But before the deal can be struck, the Ministry of Industry will have to rescind its embargo imposed last year. At Rue de Grenelle, no one has the slightest intention of yielding to the pressure of events.

#### **Weapons and Baggage**

Large French companies are keeping an eye trained on Iran. But for now, none of them is contemplating returning, weapons and baggage in tow, to conquer Persia. The new era of big contracts is not for tomorrow, even though the Arak petrochemical complex or the Tehran subway, in which Sofretu was once interested, now stand a chance of being built. French caution is legitimate. But the French must not tarry too long if they hope to have a chance of recapturing ground lost to competitors. While their share of the Iranian market was shrinking to less than two percent, the Germans and Japanese, and also the Indians and South Koreans, were building solid beachheads in Khomeini land, from which they now intend to profit fully.

09825

#### **Unemployment Still High Despite Improvement, Expenditures**

##### **Qualified Improvement**

35190097b Paris LIBERATION in French 2 Aug 88 p 6

[Article by Philippe Boulet-Gercourt]

[Text] Up .7 percent, almost nil. Some 125,000 net wage-earning jobs created in a year, a high figure. And yet, the two statistics make only one. According to the initial results of the annual INSEE [National Institute of Statistics and Economic Studies] survey of unemployment, the active population employed went from 21,405,000 in March 1987 to 21,508,000 a year later. If one deducts trainees (of the SIVP [Trade Union for Initiative of the City of Paris], TUC [not further identified] and other types) and nonsalaried professions, one arrives at the magic figure of over 100,000 "real" jobs created in a year.

It is a result that confirms UNEDIC [not further identified] estimates and one that Jacques Chirac wishes had been published before the presidential election. Not that the turnaround came about under cohabitation; it was at the end of 1985 that France stopped destroying jobs. But for the "nonagricultural market sector," France achieved no better than a stabilization in 1986. Since that time, everyone had impatiently awaited the new start. It has finally come.

Since March 1987-March 1988 was at one and the same time a period of intense social treatment, owing to the presidential election, unemployment dropped, going from 10.7 to 10.2 percent of the active population, its March 1985-March 1986 level. "This is the first time in 15 years" that such a drop has been observed, the Institute notes. Should one then proclaim a victory? Certainly not. First of all, social treatment collapsed like a soufflé after the presidential election and it will be difficult to go much further than has been the case so far. In volume if not always in quality, a great deal was done: 64 percent more training programs completed between March 1985 and March 1986; up 6.3 percent from March 1986 to March 1987 (the period when it is fashionable, in certain ministries, to denigrate social treatment of unemployment); and finally, up 16.8 percent from March 1987 to March 1988. The current government should at best stabilize the volume of training programs. The second concern: The some 100,000 additional jobs created in France are not enough and for painfully obvious reasons of demography: The active French population continues to grow, with the age pyramid bringing more young people to the labor market than there are retirements. In addition, the years ahead will be particularly touchy for France. For 1989, we already know that in order to do no more than stabilize unemployment (constant social treatment), between 150,000 and 200,000 more jobs will have to be created

than destroyed. The bar has been placed very high, especially since it is too soon to extrapolate a still fragile recovery of employment for the next year. The government already knows for a fact that unemployment will go up in 1989.

The third and rather benign problem: This shift is also the victory of occasional jobs. The interim shows a leap of 39 percent, probably also because many enterprises now calculate their labor needs precisely. "Growing seasonal employment seems to be the price of the improvement in employment," INSEE believes. How does it measure these seasonal jobs? For example, by the fact that "the share of 'seasonal job ended' responses among the unemployed rose sharply again this year." Some 28.7 percent of the men and 25.9 percent of the women seeking jobs were in that situation in March. Cycles of the unemployment-training, unemployment-limited contract type are increasing, but with longer and longer "unemployment halts." One startling figure: Some 65 percent of the unemployed women (and 61.4 percent of the unemployed men) 50 and over have been out of work for over a year. In the 25-49 age group, the proportion is 48.6 percent of the women and 43.5 percent of the men, nearly 1 out of 2.

Another symbolic sign of occasional employment is the decline of the laborer category. In a year, the employed active population lost 118,000 workers. They comprised 31 percent of the active population in March 1983 and they now make up only 28 percent 5 years later. "Already caught up with by management as a whole and the intermediate professions, it is now the white-collar workers who are doing so": white-collar workers, mainly in the service industries, from the office worker to the supermarket cashier and including the cleaning woman, professions traditionally occupied by women. The "female white-collar worker" category has grown by nearly 100,000 persons in a year. As a corollary or consequence, part-time work is increasing among women. Out of 100 active women, over 23 now say they have a part-time activity. The number was only 17 in 1980. Times change.

With all the reservations previously expressed, the recovery of employment is good news and the figures published by INSEE shed some light on the good fiscal receipts and welfare deductions in 1987. More wage earners employed means more social security revenue and wealthier taxpayers. One debate remains: The 100,000 net jobs created do not absorb the growth in the active population. Can France therefore choose to "tolerate" growing unemployment in the years ahead, even though it is declining among our neighbors? For the time being, this debate is being carefully avoided. Whatever the case, the government does not anticipate major changes. While seeking more qualitative improvement in several categories of training programs, it will be reduced, in order to contain unemployment pressure, to use the means it has at hand. Among other things, it could develop large-scale formulas of the "TUC for those

over 25" type, which would be closely associated with the minimum insertion wage for those at the bottom of the scale, even if it must then only hope that in the 3, 4 or 5 years ahead, the unemployment situation will truly get better. Scarcely exciting news.

#### **Unemployment Compensation, Retraining Costs** *35190097b Paris LES ECHOS in French 29 Jul 88 p 6*

[Text] Last year, France devoted 3.6 percent of its gross domestic product to employment. This was a trifling sum of 191.7 billion francs, 63.2 percent of which served to compensate the unemployed and promote early retirements, while 38.6 percent went for less "passive" expenditures of the job-promotion, professional-training type, based on provisional data for 1987 which the Ministry of Labor has just made public.

To be consistent, these sums, which include action promoting employment taken by all ministries and the participation of enterprises and wage earners (unemployment insurance and 1.2-percent continuous training dues, have nevertheless grown more slowly in the past 4 years. In 1987, employment spending rose 2.1 percent over the previous year, while it grew 4.7 percent in 1985 and 1986.

Statisticians from the ministry emphasize that "its rate of growth, which was formerly far higher than that of the gross domestic product, has been only a bit higher the past 4 years." The government (mainly the national budget, as well as those of the regions for professional training) contribute some 45 percent; employers and wage earners, 55 percent.

Unemployment compensation spending alone amounted to 71.3 billion last year, compared with 63.3 billion in 1986. This is an increase of 9.2 percent, substantially higher than the 5.3-percent increase in the number of job seekers. The ministry explains the difference by the increased number of beneficiaries, mainly of basic allocations and specific solidarity allocations, as well as the increase in the average amount of the sum paid.

The retirement incentive, which in 1984 comprised 35.4 percent of all money spent on employment and only 26 percent in 1987, amounted to 49.8 billion on the latter date, compared with 54.4 billion a year earlier. One significant fact: Special FNE allocations rose 7.4 percent, less than in 1986 (up 19 percent), due to a transfer from this early retirement arrangement to ASSEDIC [Association for Promotion of Employment in Industry and Business] of dismissed workers over the age of 55.

Regarding more "active" spending, the effort to promote and create employment (14.3 billion) continues to rise, although less rapidly than in 1985 and 1986. In this column, exemptions from social welfare deductions to promote the hiring of young people and the long-term unemployed amounted to 6.9 billion, compared with 3.4 billion in 1986. With the TUC remaining at the same



level: 3.6 billion, some 47.1 billion were finally devoted to professional training, an increase of 7 percent in real terms. Enterprise spending in this sector was an estimated 27.2 billion in 1987, or an increase of over 8 percent in volume.

11464

## PORTUGAL

### European Investment Bank Grants Development Loans

35420126b Lisbon *DIARIO DE NOTICIAS*  
in Portuguese 2 Aug 88 p 17

[Text] The European Investment Bank (BEI) announced yesterday in Luxembourg that it will grant Portugal a new loan of 30 million contos to finance industrial and infrastructural investments.

This loan is destined specifically for the construction of a 172-bed luxury hotel in downtown Lisbon and the construction of a factory for the manufacture of wood-fiber panels. The BEI money will also be used to assist a number of Portuguese small and medium-sized industries [PME] and to improve the nation's highway system.

Of the total amount granted, 680,000 contos will go to the Siltel company—a subsidiary of Wagons-Lits—for the construction of a four-star hotel. The term of this loan is 15 years.

The Madiberia Company, Ltd., will for its part receive—through the Pinto e Sotto Mayor Bank—the sum of 650,000 contos, which will be invested in the construction of a plant for the manufacture of wood fiber.

The BEI also decided to grant two comprehensive loans to Portuguese banks for use in accordance with the EEC policy of assistance to the PME.

The credit institutions contemplated were the Portuguese Investment Bank and the Pinto e Sotto Mayor Bank, with loans of 4.3 million and 2.6 million contos respectively. These loans will be for a term of 10 years and will be used for projects in the industrial, tourism, and service sectors; for the protection of the environment; and for the rational utilization of energy.

The Portuguese Government will also receive a loan of 3.1 million contos for a term of 20 years, to finance the construction of a plant for the collection, treatment and removal of sewage on the Estoril line. This equipment will serve a population of 500,000 and enable sewage to be discharged directly into the Tagus River.

An additional 13.7 million contos was granted to Portugal—also in the form of a 20-year loan—for improvement of the national highway system. This loan will be used to improve connections with the least developed regions of the nations as well as with Spain and other EEC countries.

Last, the BEI granted a loan of 5 million contos to the regional government of the Azores to improve communications between the islands of Sao Miguel and Terceira, and between the Azores archipelago and the Continent.

These new loans from the BEI—the EEC's banking institution for long-term loans—raise to 61 million contos the total of loans already granted to Portugal.

It will be recalled that last April the European Investment Bank granted Portugal a loan of 32.5 million contos, a part of which was allocated for the construction of the future rail terminal in Porto.

In this connection, the BEI board of directors—meeting in Lisbon—reviewed the current status of various projects financed by that banking institution and signed three loan contracts with the EDP [Portuguese Electric Power Company] and the General Savings Bank.

10992/7310

### Picture of Increased Imports, Exports, Deficit

35420126a Lisbon *TEMPO/ECONOMICO* in  
Portuguese 4 Aug 88 p 10

[Text] The preliminary foreign trade figure for the first 4 months of 1988 show that Portugal's foreign trade deficit with its trade partners reached 214.4 million contos, representing the difference between the 651.8 million contos of imports and the 437.4 million contos of exports, according to an announcement by the National Statistics Institute (INE).

By comparison with the corresponding 4 months of last year, both our purchases and sales abroad showed increases—respectively of 8.5 percent (600.6 million contos in 1987) and 4.8 percent (417.4 million contos in 1987)—while the negative balance was approximately 17.1 percent larger (183.2 million contos last year).

The proportion of imports covered by exports was 67.1 percent, which is slightly below the figure for the same period in 1987 (69.5 percent).

It may be added that in terms of U.S. dollars, our trade balance showed increases in the value of imports (11.8 percent); of exports (7.9 percent); and of the deficit (20.6 percent).

A country-by-country analysis of the figures for the distribution of the two trade flows reveals that for the period of 1988 under study, seven countries sold to

Portugal goods valued at a total of 424.9 million contos, representing 65.2 percent of our total imports. This group is led by Spain (87.5 million contos), followed by the Federal Republic of Germany (80.7 million), France (74.8 million), Italy (64.3 million), United Kingdom (51.3 million), the United States (33.3 million) and the Netherlands (32.9 million).

Focusing on our principal customers, we see that six countries purchased from Portugal products valued at a total of 296.6 million contos, corresponding to 67.8 percent of all Portuguese exports: France (73.1 million contos), Federal Republic of Germany (66.9 million), United Kingdom (61.5 million), Spain (46.7 million), the Netherlands (25.8 million) and the United States (22.6 million).

With respect to the balance of trade, the most significant deficits were recorded with Italy (48.2 million contos), Spain (40.9 million), Japan (21.4 million), Federal Republic of Germany (13.8 million), Belgium-Luxembourg (11.6 million) and the United States (10.8 million).

The United Kingdom was responsible for the largest trade surplus (10.3 million contos), followed by Sweden (7.7 million) and Denmark (5.4 million).

#### EEC

These results underscore the importance of the European Economic Community for Portugal's foreign trade: In the 4 months of 1988 under study, 72.8 percent (318.4 million contos) of our sales were to the EEC, and 65.3 percent (125.5 million contos) of all purchases made by Portugal were from countries that are members of the Community.

A comparison of these movements with those recorded in the corresponding period of last year (298.2 million contos of exports and 395.2 million contos of imports) leads to the conclusion that there has been a slight deterioration in our trade with the Common Market, in that the deficit increased by 10.4 percent (rising to 107.1 million contos from 97.0 million), while the proportion of imports covered by exports dropped to 74.8 percent from 75.5 percent.

#### EFTA

During the 4 months of 1988 under study, our exports to the EFTA [European Free Trade Association] totaled 51.4 million contos (49.0 million last year), of which 75.8 percent represented purchases made by Sweden (19.5 million contos), by Switzerland (10.5 million) and by Norway (9.0 million), while our imports from the countries that comprise this free trade group reached 52.5 million contos (40.8 million in 1987), with Switzerland (17.3 million contos), Sweden (11.8 million) and Norway (10.9 million) contributing 76.2 percent of all purchases from the EFTA.

The trade balance with the EFTA was slightly unfavorable for Portugal (by 1.0 million contos), whereas the corresponding period of last year had recorded a surplus of approximately 8.2 million contos.

#### PALOP

An analysis of the figures for trade with the countries whose official language is Portuguese [PALOP] shows that in the first 4 months of this year the value of exports increased by approximately 1.5 million contos (8.4 million contos in 1988 compared to 6.9 million in 1987), whereas imports decreased to 0.9 million contos from 1.2 million.

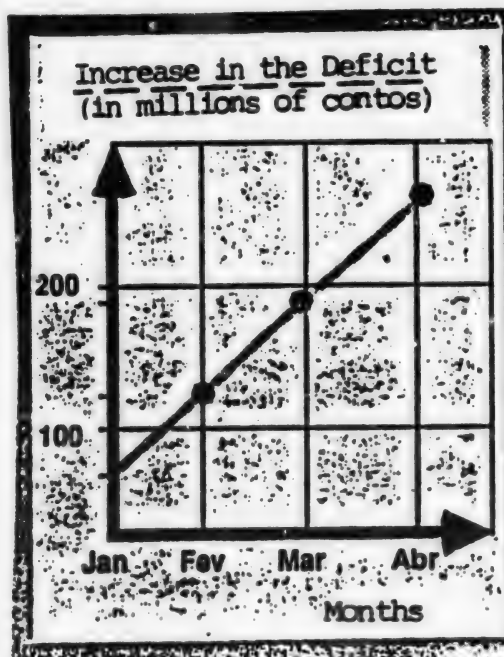
As a consequence of these movements, the balance of trade recorded—for the period under study—an increase favorable for our country, going from a surplus of 5.7 million contos last year to 7.5 million this year (an increase of 32.5 percent).

During this period Angola accounted for 57.1 percent (4.8 million contos) of our sales, and for 55.7 percent (0.5 million contos) of our purchases.

It should also be pointed out that in the first 4 months of 1988, Angola held fourth place (4.3 million contos) on the list of countries with which Portugal has a favorable balance of trade.

#### OPEC

For the period under study, our purchases from the OPEC countries totaled 27.0 million contos (38.2 million in 1987), while our sales to these countries totaled



8.0 million contos (5.5 million contos last year), producing a deficit of approximately 18.9 contos, which is 13.8 million contos less than the figure for 1987.

The proportion of imports covered by exports—although remaining unfavorable for our country—more than doubled (increasing to 29.8 percent from 14.3 percent).

It should be emphasized that 85.6 percent of the value of all our imports from the OPEC countries was concentrated in only four countries: Saudi Arabia (6.9 million contos), Iraq (6.5 million), Algeria (5.2 million) and Nigeria (4.4 million).

As for exports in the same period of this year, only three countries bought from Portugal goods having a total value greater than 1.0 million contos: Iran (2.6 million contos), Iraq (1.8 million) and Algeria (1.6 million)—amounts that account for 75.5 percent of our total sales to the OPEC countries.

10992/7310

## SPAIN

### August Unemployment Figures Show Continued Decline

35480001 Madrid DIARIO 16 in Spanish  
13 Sep 88 p 44

[Text] The number of unemployed recorded in the INEM [National Unemployment Office] employment offices at the end of August has declined by 31,222 persons from the previous month, with the unemployment figure standing at 2,744,820 workers, and the unemployment rate among the active population at 18.79 percent.

The unemployment statistics recorded in August put the number of jobless at the level of September-October 1986, and jobless rate equal to that at the end of 1984. In comparison with August 1987, the recorded joblessness dropped by 66,857 workers, with an annual variation rate of -2.38 percent. During the first 8 months of the year, it declined by 278,826 persons, that is, 9.23 percent; while during the same period in 1987 the reduction was 90,148 persons (3.11 percent).

In August the recorded unemployment dropped in all the Autonomous Communities, with the exception of the Valencian Community, where it rose by 1,459 (0.47 percent). Among the other regions there were reductions in Baleares (-3.78 percent), in the entire Cantabrian cornice (Galicia, Asturias, Cantabria, Basque Country), in Castilla and Leon, and in Navarra, with reductions exceeding 2 percent in all these Autonomous Communities.

Progress of Unemployment  
(in 1000s of persons)



In relative terms, unemployment during August dropped by 1.12 percent from July. In comparison with August 1987, unemployment dropped by 66,857 persons (-2.38 percent).

During the 3 previous years, the unemployment recorded in August declined by the following amounts: in 1985, by 7,117 (-0.28 percent); in 1986, by 2,117 (-0.08 percent); and in 1987, by 9,630 (-0.34 percent).

Male unemployment stands at 1,277,779, dropping by 15,538 (-1.20 percent) from the previous month; and female unemployment, at 1,467,041, thus dropping by 15,684 (-1.06 percent) from July. In comparison with August 1987, male unemployment declined by 165,148 persons, while female unemployment increased by 98,291 during the same period of time.

By sector, the recorded unemployment varied by the following amounts: agriculture dropped by 1,223 (-1.06 percent); industry rose by 7,435 (1.20 percent); construction dropped by 1,329 (-0.43 percent); service dropped by 15,467 (-1.73 percent); and the previously unemployed group dropped by 20,638 (-2.48 percent).

Unemployment among the youth under age 25 declined by 15,609 persons (6,232 men and 9,377 women). Compared with August of last year, joblessness among males under age 25 dropped by 66,144 persons; and that among females increased by 456.



The number of job placements recorded by INEM during August was 260,515; representing an increase of 22,958 (9.66 percent) over the same month last year.

2909

#### **CASA Negotiates Contracts at Farnborough Fair**

**Aviocars to Argentina, Ecuador, Angola**  
*35480003a Madrid DIARIO 16 in Spanish*  
*8 Sep 88 p 42*

[Text] London—The president of Construcciones Aeronauticas (CASA), Javier Alvarez Vara, confirmed during the Farnborough International Aircraft Fair that contracts had been signed for the sale of Aviocar aircraft to Argentina, Ecuador and Angola.

Alvarez Vara told EFE that the details had been worked out in recent days for the sale of five Aviocars to Argentina, two to Ecuador and four to Angola.

The CASA president indicated that the contract with Argentina had just been executed with the sale of five Aviocars to the Argentine Naval Prefecture; three of the planes will be used for maritime patrol and for the surveillance and protection of the zone of economic interest, while the other two will be earmarked for transport.

The contract with Angola involves the sale of four C-212's to the African country's air force.

CASA is displaying six aircraft at Farnborough, three in the ground exhibition and three in the flight exhibition. The models are the C-101, which is a training aircraft, the C-212, which is for transport or maritime patrol, and the CN-235, a military and civilian transport plane.

**France, Brazil To Purchase CN-235's**  
*35480003a Madrid DIARIO 16 in Spanish*  
*14 Sep 88 p 47*

[Text] CASA is on the verge of obtaining three new contracts for its CN-235 aircraft, the company's "star" at the recent Farnborough fair (Great Britain), which was attended by the main aircraft manufacturers.

According to company sources, France is going to purchase eight CN-235's; the CN-235 is a small transport plane that can be used in civilian and military applications. Negotiations are also far along with Brazil, which is showing an interest in placing an order for between 12 and 18 units of the same aircraft.

Lastly, the Spanish Army is going to buy the CN-235, after overcoming some reluctance.

At the recent Farnborough fair CASA managed to sell 11 Aviocar C-212's. The Argentine Naval Prefecture bought five; Angola, four, and Ecuador, two.

CASA's third product, aside from the CN-235 and the Aviocar, is the C-101 aircraft, which is used for observation, surveillance and pilot training.

The INI [National Institute of Industry] affiliate supplies components to the American multinational corporation McDonnell-Douglas, is involved in Airbus and regularly cooperates in the programs of the European Space Agency.

8743

**CASA Financial Situation, Labor Climate Discussed**  
*35480003b Madrid DIARIO 16 in Spanish*  
*14 Sep 88 p 47*

[Article by Pedro G. Cuatango]

[Text] Madrid—The American multinational corporation Northrop will not take part in the upcoming capital expansion of Construcciones Aeronauticas (CASA). In contrast, the German group MBB [Messerschmitt, Boelkow, Blohm] has told the INI [National Institute of Industry], the main shareholder in the aircraft firm, that it is indeed prepared to take part in the expansion, which is scheduled for the first few months of 1989. CASA hopes to cut its losses this year to some 6.5 billion [pesetas] as a result of the sharp increase in sales during the first half.

The INI has just given CASA an infusion of 3 billion, in the form of capital expansion, to alleviate its critical financial situation. Last year Spain's only aircraft manufacturer lost 14 billion pesetas and is practically in technical bankruptcy with debts of 50 billion pesetas and almost token funds of its own.

CASA needs some 60 billion in the medium term. Half of this amount would be earmarked for a financial housecleaning, while the other half would be used for investments and for the development of new products, as can be gathered from the strategic plan that the aircraft company is drafting.

The plan calls for CASA to become a manufacturer of short-range aircraft in segments of the market not covered by the multinationals and places emphasis on the Spanish firm's involvement in European programs such as the Airbus and "Eurofighter," the future European fighter plane.

As a first step in helping CASA out of its crisis, the INI, which owns 73 percent of its shares, wants to expand its capital by around 15 billion pesetas. The response of the partners has been varied. Northrop, which has a 13 percent share, is not going to take part, but the MBB, which holds 11 percent and cooperates with the Spanish firm in several European programs, will.

### Smaller Share

Northrop will not withdraw from CASA. Its proportional share in the expansion will be assumed by the INI, and thus the multinational will see its share cut to around three percent. The INI would then hold 83 percent, while the remaining partners would retain their current percentages.

In recent months the rise in the dollar and higher productivity have translated into a spectacular rise in sales. CASA expects to post earnings of some 65 billion in 1988, up almost 30 percent from the recent fiscal year. The red ink would shrink to 6.5 billion, a drop of 7.5 billion in 12 months.

CASA has also just received 9 billion pesetas from the Ministry of Industry in the form of compensation for the money that the enterprise has had to contribute to cover the losses of the Airbus consortium, in which it owns 4 percent.

### Social Peace

The labor climate in the company headed by Javier Alvarez Vara has also improved appreciably in recent weeks. The company's management and the Workers Commissions union, which has a broad majority in the committee, have sat down to settle their differences, which were on the verge of shutting CASA down in late 1987. Within this environment of virulent confrontation with Alvarez Vara, Workers Commissions has not yet signed the 1987 collective bargaining agreement, which was signed only by the General Union of Workers and several of whose points were invalidated by the Conciliation Board.

The labor union and the president of CASA have decided "to smoke the peace pipe" by initiating talks to reach a wideranging labor agreement, which would include reducing the workday, organizational aspects and the participation of the workers in the company's strategic plan.

8743

### Changes in UGT, Differences With Government Examined

35480006 Madrid CAMBIO 16 in Spanish  
19 Sep 88 pp 28-32

[Article by Juan Altable: "UGT Prepared To Cut the Deck"]

[Text] The atmosphere in the locals of the General Union of Workers (UGT) is one of discreet celebration. It can be felt in the meager number of posters reading "100 Years of Union Effectiveness," in the modest

exhibition of books with period photographs of the founding fathers of Spanish unionism wearing overalls and berets, in the concerned gestures of some labor leaders.

And yet one would expect a noisier celebration by an organization that at least theoretically is experiencing the most favorable times in its long history. Never before has Spain enjoyed such a lengthy period of democracy. Never has the PSOE, the sister party founded by the same typographers and the same ideas, governed so overwhelmingly for 5 years. And of course, never before have so many UGT officials moved directly from their leadership posts in the union to positions in the nation's government.

Such considerations are, obviously, just theory. The reality of the UGT in 1988 is quite different.

Four weeks after celebrating its first 100 years, the socialist union is, as it has been on other occasions, at a crossroads at which its very existence in the Spanish labor movement is at stake. To put it in other words, the survival of UGT hangs in the balance.

It hangs in the balance because of the fratricidal struggle that it is waging with a Socialist government that it is endeavoring to influence from the outside, after concluding that pressure from within had failed, and with which it could break once and for all this fall. It hangs in the balance because of the internal breakup that it could face with the departure of leaders of all wings, from the moderate metalworker Antonio Puerta and the miner Jose Antonio Saavedra, a "Nicolas" [Redondo] man, to the radical "bank worker" Justo Fernandez. But it also hangs in the balance in the sense of its ability to adapt to a changing world, a world in which all unions are on the defensive because they do not yet have a clear-cut idea of what their role is in the technological revolution or in the sale of Spanish companies to foreign multinationals.

### Historic Break

The first unknown, the historic break with the PSOE, could be resolved this fall if agreement is not reached on the Youth Employment Plan.

This magazine has seen for itself the sour face that UGT leaders put on every time that famous plan is mentioned to them. In their opinion, this plan would shatter the labor market and provide employers with an almost free-of-charge army of workers.

"Approving this measure would mean an irreversible historic break. If this came to pass, the union would oppose it with all of the legal measures within its reach, without ruling out any," says Apolinar Rodriguez, the secretary of UGT Union Action.

What has been fluttering above the heads of union leaders for some weeks now is a measure that would have made any UGT member's hair stand on end if it had been proposed 2 years ago: a general strike, which the UGT would join, against the PSOE government.

"The deteriorating situation with the government has gotten to the point that something like this cannot be ruled out," another prominent UGT leader commented to this magazine. "Of course," he continued, "that would mean a definitive break with the party. We wouldn't stage a general strike against the government of Felipe Gonzalez one day and ask people to vote for the same Felipe Gonzalez the next day. That could not be. We don't clown around."

A civic confrontation of this nature between Socialists would send more than one grandchild of Pablo Iglesias to the psychiatrist. Above all because for the first time in history the differences in Spanish socialism are officially "vertical," between the union and the government (that is to say, the party that supports it), not ideological, as with the traditional splits between "Priestists" and "Caballeristas," which arose in the party and in the union alike.

For 2 years now, however, Nicolas Redondo and his men have realized that their most effective weapon in influencing the government's economic policy has simply been to denounce it as "rightist," not to demonstrate or point to unemployment. They thus delegitimize politically a government that proclaims itself leftist.

Apolinar Rodriguez has to say it straight out: "Felipe Gonzalez is pursuing a more conservative economic policy than Helmut Kohl."

And the reasons that move him to this conclusion are contained in a hefty 320-page report that dissects Spain's social situation from 1977 to 1987 with some degree of bitterness.

"The solution to the crisis," the report says, "has been socially regressive: higher unemployment, a bisecting of the labor market, the cutback and deterioration of major social services and benefits..."

#### Change of Direction

The report also condemns the Socialist government for breaking the European Social Democratic tradition of the last 40 years. "There has been a change of direction away from the State's traditional redistributionist role in social democracies. Thus, instead of striving to channel money from the rich to the poor, the government has come to take up the role of lending considerable assistance to business."

It concludes with a crushing argument from the union standpoint. "After the workers had achieved a better correlation of forces at the outset of democracy, their influence in Spanish society has declined, while that of the employers has grown."

The disagreements with the Gonzalez administration also run deep over the differing views of reality that an economy minister and a labor leader have. Unemployment is a typical example.

Government officials boast that the Spanish economy has grown twice as fast as the average EEC economy in the past 2 years and that since then jobs have been created. Moreover, the economic forecasts from now until 1992 are for average GDP growth of 4.1 percent.

A labor leader, however, finds it disheartening to observe that under the most optimistic conditions and after 7 years of economic recovery the unemployment rate in 1992 will be "just" 16.6 percent. "The numbers don't tally for us," says a union leader; "while the economy is growing very quickly, employment is moving much slower. The boys in Economy [ministry] may be delighted with their little drawings, but out here there are flesh-and-blood people who still can't get jobs."

Are the UGT people getting more "from the outside" than what they got from the inside? Has this policy of understanding towards the ruling party been worthwhile?

The union leaders themselves are cautious on this question. Of course neither Carlos Solchaga's monetary policy nor fiscal policy have changed one iota regardless of how angry Nicolas Redondo may have gotten. But Anton Saracibar, the organizational secretary and number two man in the union, asserts that they are beginning to get things. For example, the increase in pensions or the torpedoing of wage ceilings in 1987.

These are just symptoms. Nonetheless, UGT leaders feel that this is the only way that they will succeed in pushing a government obsessed with business profits towards the agreement that they are demanding for these times.

"It is true," says Saracibar, "that both businessmen and the government's economic policymakers were more interested in reaching an agreement during the hard times of the crisis than now, when we want to agree on the apportioning of the benefits from an expanding economy. But," he continues, "it is no less true that the government has a political need to come up with an agreement."

The UGT is gambling heavily on Saracibar's view. Nothing more and nothing less than the continued pursuit of the strategy of negotiations and agreements that it followed during the entire transition and that lent



it one of its distinguishing characteristics vis-a-vis other union forces. "We realize that we have not finished pursuing our strategy, but we're trying," Saracibar adds in conclusion.

All of this family squabbling over ideology and strategy carries an extremely high internal cost that will not likely vanish right away.

The special congresses of metalworkers, chemical workers and miners this October and the bank workers congress in January underscore that almost half of the UGT is in a provisional situation in the thick of the battle.

Most of the leaders consulted by this magazine were clear, however, about how this provisional situation would resolve itself: Nicolas Redondo will strengthen his hand at the head of the UGT.

The most important development will be a change of direction for the UGT's most powerful federation: the metalworkers. This change is more important than the expected increase in the influence of the pro-government Union of Workers of Asturian Mining (SOMA) in the mining federation and than the continuation of the "Matilde Fernandez line" in the key posts in the chemical workers federation.

Antonio Puerta, the former leader of the metalworkers federation who is close to the government's positions, is not so certain of the victory of his rivals at a congress in which he personally will be unable to compete: "In spite of all the maneuvering they have done, they have not secured a majority in the federation."

It was inevitable that Puerta, as well as Ministers Corcuera, Chaves and Fernandez, would be incompatible with the line that the union took 2 years ago. Jose Antonio Saavedra turned out to be incompatible, in contrast, because of his attempts to get the UGT Executive Committee to reach an agreement with the powerful SOMA, which is headed by Jose Angel Villa, who is also a member of the Executive Committee of the PSOE, which has a majority in the mining federation.

As Saavedra explained to CAMBIO 16, "They want to portray me as offsetting this metalworkers business. But what is really happening is that Anton Saracibar is double-dealing and wants to hand Nicolas' head to the party."

Justo Fernandez, the outgoing leader of the bank workers union, says that he does not believe that the UGT's current union policy will be successful and that "we should have infiltrated, as an organized group, into the PSOE, because you get nothing from the outside."

The third of the major uncertainties for the UGT, adapting to a changing world, will take longer to resolve and be less spectacular, although as Justo Zambrano, a former member of the confederated Executive Committee, says, "the UGT is already weighed down by the Spanish union model, which has turned the unions into organizations that have to win over the votes of the workers instead of having them lined up."

#### Very Meager Membership

Zambrano's words bring out one of the UGT's biggest weaknesses: very meager membership. Sources consulted by this magazine have acknowledged that neither the UGT nor the CCOO [Workers Commissions] has the million members that they speak of. "If we put it at 350,000 per organization, we're coming quite close to the facts," they assert.

But there are other negative facts as well.

If the unions are radically opposed to more flexible payrolls (which according to their data already apply to one-fourth of the employed population), it is because they realize that there is no way to practice unionism in a company more than one-fourth of whose workers are dependent on their employer's decisions.

Or, as Apolinar Rodriguez says, "We in the unions are outside of the country's major economic decisions. In the end, what we negotiate are very domestic things." And as an example he cites the stunning sale of Spanish companies to foreign multinationals. The leftist publication LIBERATION refers to this boom by saying that "Spain is for sale." Even THE HERALD TRIBUNE, which is "liberal" in the American sense of the word, says this about it: "Foreign investment is flowing into Spain in almost alarming proportions."

As Anton Saracibar confirmed to this magazine: "We in the unions find out about all these transfers of shares and these plans for the future from the newspapers."

#### Photo Captions

1. p 28. Barrabes, Apolinar Rodriguez and Ordonez, Nicolas' Men
2. p 28. Manuel Chaves, labor minister; Matilde Fernandez, minister of social affairs; and Jose Luis Corcuera, interior minister. Three UGT leaders who have come to fill posts in the administration. Nicolas Redondo does not get along with any of them.
3. p 31. The UGT will combine social mobilization with negotiation.
4. p 31. Felipe and Nicolas Redondo could break once and for all this fall. Justo Fernandez is leaving because he opposes both of them.

5. p 32. Antonio Puerta, secretary general of the metalworkers federation, and Anton Saracibar faced off in the struggle for control of the UGT's most important federation. Saracibar won, and Puerta, who is close to the administration's positions, will not be able to run for reelection at the October congress. 8743

**Government Said To Favor Foreign Capital, Interests**

35480007 Madrid CAMBIO 16 in Spanish  
19 Sep 88 p 37

[Article by Anton Sarasqueta: "Occupied Spain"]

[Text] The flood of foreign capital and interests into Spain has prompted a national controversy over the image of a country for sale. Ten of Spain's 20 leading export companies are owned by foreign multinationals and outstrip the other 10 domestic firms in volume (a 270 billion [peseta] annual difference). Most of the latter companies are involved in the energy and aerospace sector, where government intervention is massive. From this we can clearly deduce that Spanish private capital is a minor factor, in overall terms, in both the domestic and foreign market. Of the world's top 500 firms, only 10 are Spanish.

The forecasts of a Spain that would be open to international markets included quick penetration by foreign interests, which had actually begun sometime before. A sufficiently competitive domestic reaction has not been forthcoming. The opening up of markets and global interests are developments that do not entail an abandonment of what are regarded as national interests; rather, they entail a defense of these interests under conditions different from the ones that our grandparents were accustomed to.

A citizen sees that the grocer is selling him French tomatoes, that the hand-dryer in the restaurant is Danish, that the plumbing is Italian, that the garden saw is German and that the marmalade is English. The automotive sector is completely in the hands of foreign industry. The seven-figure contracts for air defense, the overhaul of the railway or the launch of a communications satellite go to the big American, French, Japanese or German companies.

A report that the Intelligence Unit of THE ECONOMIST (EIU) has just published concludes that in fact "the only large industrial sectors in which Spanish private capital dominates are cement (although the leading enterprise in the sector is controlled by foreign capital), ready-made clothing, construction, paper and printing (with significant foreign control), furniture, mining and metallurgy (with a major government and foreign-interest presence), electricity and oil products (with heavy government involvement in both cases), and textiles, garments and footwear."

The same report indicates that in establishing control over key sectors "direct foreign investment has been concentrated in certain sectors, especially those in which it can benefit from low relative labor costs. The subsidiaries of the foreign multinationals dominate the automobile, electronics, tire, pharmaceuticals, computer and office equipment, detergents and perfumes, chemical and plastics, paint, car rental and advertising industries. The foreign presence is also significant in food and beverage, glassware, household accessories, metals, investment banking and tourism."

The reasons for this situation are not just the structural deficit and the weakness of Spanish capital. Political and sociological factors have had a decisive influence in the shortcomings of domestic industry. One of them is the fact that the government has favored foreign capital and interests, both in climate and in resources, while harassing domestic capital. One symbolic example can be cited: the expropriation of Rumasa and, at the same time, advantageous conditions so that some firms could shift to foreign hands (the profitable Banco Atlantico into Libyan hands, or Galerías Preciados into British hands after an initial Venezuelan phase). SEAT [Spanish Passenger Car Company, Inc] was practically given away to Volkswagen, and the official terms that were offered to the Kuwaiti group KIO have been the object of recent attention. Nevertheless, one of the most insistent grievances of Spanish businessmen has been the elimination of bureaucratic and fiscal obstacles that now put them at a disadvantage vis-a-vis foreign competitors. One of the most lucrative private businesses is the offices, generally run by former politicians and government officials, that defend foreign interests.

Private television is another example that illustrates how the Socialist government treats Spanish and foreign capital unequally. The first bill limited Spanish participation more than it did the share of foreign capital. In the wake of protests, the shares were later balanced. The magnates of the international mass media have been received with great pomp and circumstance at the head of government's office, while Spanish businessmen and publishers have been persecuted and restricted to the limit, for political reasons. The government does not tolerate critical mass media. The magnates of the international communications industry talk only about profit margins.

It is no accident that in the face of domestic criticism and protest the government replies that Spain has an excellent image in foreign circles.

The opening up of Spain has been a real boon for foreign investment. A European market with 40 million consumers, with better potential for development than in other regions and with low labor costs. With the exception of Greece and Portugal, Spain has lower labor costs than any other European country or Japan (exactly half of the FRG's and 50 percent lower than in

Holland, the United States, France or Italy). As far as competition is concerned, foreign industry has come up against a Spanish capitalism that is very underdeveloped in form and content.

The economic development that took place in the 1960's and up to the international crisis of 1973 was the result of the government's machinery and budgets. The Spanish economy is still very government-dominated, and Spanish capital is averse to risk, in spite of the improvements that new deregulatory trends in government suggest (whether compelled by circumstances or not).

Spanish industry is making a growing, yet insufficient effort to balance out overall participation and competition.

In his memorable speech to the court the artist Albert (played by Charles Laughton in the film "This Land Is Mine") told his fellow citizens what he felt was the cause of the German occupation: "There can be no occupation without corruption." This philosophical concept is applicable in its many forms to different circumstances.

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**END OF**

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